

Volume 8 Issue 3  
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*Next Issue:*

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## Update on PMA Activity

You will be pleased, I'm sure, to hear that we are currently planning the next PMA conference. The **PMA 2012 Conference** will be following on from the successes of previous international conferences, running since 1998, the last of which was hosted at the University of Otago, New Zealand in 2009.

The 2012 PMA conference will be returning to Cambridge, UK, and will be held on 11-13 July 2012 at Fitzwilliam College, University of Cambridge. The theme for the event is set to be Performance Management: From Strategy to Operations. Please put the date in your diary and if you would like to be involved in the organisation of the event please do get in touch with me.

New for 2011 has been the establishment of a Seminar Series for the PMA. We have already held the inaugural event at Cambridge earlier this month. You can find out more about the event in this issue, as well as details of the second event planned, which is being hosted in Düsseldorf, Germany on 6 October 2011. This event is being hosted by the Xing Xpert Ambassador Controlling Group, as part of the PMA seminar series and as a German Chapter activity. If you would like to host a seminar or workshop then again please do let us know.

We have reported previously about the setting up of a LinkedIn group for the PMA. This is going very well, and is now an open group – which allows the network to grow further. In addition to this we also have a discussion forum hosted on the PMA website. Here we encourage focused discussions to develop on particular topics of interest. Our intention is to feed some topic questions to initiate some debate and conversation. We would then like to report on these conversations in later issues of the newsletter etc. Please get in contact with [angela.walters@performanceportal.org](mailto:angela.walters@performanceportal.org) if you would like to know more about configuring your profile on the PMA website to subscribe to feed updates etc direct to your email account.

We hope you enjoy reading this issue of the newsletter, where we have captured some fascinating research and opinion pieces. We would encourage you to review the remit of the newsletter, which follows, to note our mixed audience and content pieces. We look forward to receiving submissions to the next edition.



Professor Andy Neely,  
PMA Chairman

# PMA Workshop - Teaching PMM

As part of the PMA Seminar Series on 12 May the PMA hosted a one day workshop at the University of Cambridge on the topic of **'Teaching Performance Measurement and Management'**. It gave the participants an opportunity to come together to uncover some key insights in the methods used for teaching performance measurement and management. The day was devoted to ideas about how to teach performance measurement to MBA students and/or on Executive Programmes.

The workshop incorporated a combination of illustrations and exercises, and participants were able to experience and share materials. Delegates took away practical ideas and tips on how to improve teaching of performance measurement and management. Comments on the day received included:

'the workshop was a great sharing experience in a friendly and knowledgeable environment'  
*M Franco Santos, Cranfield School of Management*

"Very useful. Interesting group of people I probably wouldn't have come across as a group in any other circumstance. For us as non-academics it was very useful to be able to calibrate what we do against what proper teachers do - and hear about some very useful new ways of looking at things." *G Lawrie, 2GC*

If you are interested in finding out more about the PMA's Seminar Series please do get in touch.

## PMA Seminar Series Event - German Chapter

### ControllersXchange™ 2011 Performance Management

Düsseldorf, Germany, 6 October 2011, 09.00h-17.00h:

Lukas Michel, of XING Controlling is hosting a PMA Seminar Series Event on 6 October 2011 in Düsseldorf, Germany. The event is designed as an interactive workshop and features Andy Neely as a keynote speaker, and uses 6 practice cases for discussion on performance management. A survey on the practices of performance management precedes the event.

To register interest please email organiser Lukas Michel on [lukas.michel@sphereadvisors.com](mailto:lukas.michel@sphereadvisors.com)

## Remit of the PMA newsletter

The PMA aims to be the world's leading academic –practitioner collaboration in the area of performance measurement/management. Our membership spreads across people from all sectors of the economy and at different stages of their professional and/or academic careers.

The PMA newsletter reflects this goal and is thus composed of work from different author backgrounds-academic, practice and the postgraduate student community. The items in the newsletter reflect various types of work from discursive, informative and work-in-progress to full blown and rigorous articles, with the aim to promoting tailored knowledge sharing across the diverse membership base.

# Importance of Performance Measurement Information in CEO Work

## Importance of performance measurement information in CEO work: managerial roles and contextual factors

*Erkki K. Laitinen, Professor in Accounting and Finance, University of Vaasa, Finland*

Contingency theory shows that contextual factors such as organizational size, structure, technology, and strategy are important determinants of the management information systems (Chenhall, 2003; Rom & Rohde, 2007). However, managerial work of CEO is characterized by variety, fragmentation, and brevity (Mintzberg, 1973; Noordegraaf & Stewart, 2000; Tengblad, 2002). The complexities of actual managerial work affect the way in which managers acquire and use information.

Managers who are engaged in a variety of tasks on complex social and organizational contexts are likely to need more diverse and a wider range of information than others (Hall, 2008). Thus, different contextual environments lead to different managerial work and different use of information (Pfeffer & Salancik, 1978). Therefore, managerial work, contextual environments, and the use of information form a puzzle that warrants additional research on the relationship between these factors. This study concentrates on this relationship providing survey information of the puzzle.

### Survey of Finnish CEOs

The purpose of the study was to investigate the relationship between managerial work, contextual factors, and the importance of job-relevant performance information. It was hypothesized that the information needs of CEOs are more dependent on their work roles than contextual factors. However, it was assumed that contextual factors are strongly associated with the gap of information. The data of the study are based on a survey sent to Finnish CEOs. In all, 291 CEOs of manufacturing firms were contacted by email and 76 responses were received resulting in a response rate of 26.5%. The average size of the sample firms was 903 employees, while the median number was only 150.

The questionnaire was based on an integrated performance measurement system (IPMS) presented by Laitinen (2002). This system has previously been adopted as a tool to survey the relevance of performance information and to map information needs in case firms. This IPMS includes 27 information items (performance dimensions) classified into eight classes following the logic of a business activity: elementary cost allocation; production factors; efficiency of activities; properties of products; product and customer profitability; competitiveness; financial performance; and environmental effects.

Both real and potential information needs of CEOs were mapped by the questionnaire. The potential importance was assessed by asking how important information potentially is to CEO work (Foster & Gupta, 1994). The real importance referred to the importance of information in CEO work in reality, when the availability of information is limited by existing information systems. Table 1 shows descriptive statistics for real and potential importance. The contextual factors measured in the survey referred to size of organization, industry, market strategy, competition, and perceived environmental uncertainty (PEU).

### Managerial roles

The characteristics of work were measured using the Mintzberg (1973) descriptions of ten managerial roles, grouped into three categories: interpersonal roles (Figurehead; Leader; Liaison); informational roles (Monitor; Disseminator; Spokesperson); and decisional roles

# Importance of Performance Measurement Information in CEO Work cont.

Table 1. Descriptive statistics of potential and real importance of information items.

Information item	Potential importance: #		Real importance: \$	
	Mean	Standard deviation	Mean	Standard deviation
<b>Elementary cost allocation</b>				
1. Cost structure of production factors	4.2703	0.8805	3.2267	1.3811
<b>Production factors</b>				
2. Capacity utilization of space	2.6000	1.0134	1.6800	0.9609
3. Capacity utilization of machinery	3.6933	1.1387	2.6533	1.2573
4. Capacity utilization of manpower	4.1467	0.8806	3.3467	1.3304
5. Condition of space	2.6133	0.9849	1.7733	0.9805
6. Condition of machinery	3.3108	1.0058	2.5067	1.2011
7. Motivation of employees	4.3467	0.7968	3.1867	1.3120
8. Resources spent on personnel development	3.6533	0.8462	2.6133	1.2616
9. Quality of materials	3.9733	1.0523	3.0267	1.2517
10. Reliability of supplier delivery	4.0933	1.0157	3.2133	1.2659
<b>Efficiency of activities</b>				
11. Time of activities	3.8133	1.0487	2.8400	1.2844
12. Cost of activities	4.5467	0.7221	3.7733	1.1339
13. Quality of activities	4.2933	0.8506	3.1200	1.3045
<b>Properties of products</b>				
14. Customer satisfaction with normal products	4.4189	0.7939	3.4400	1.2760
15. Customer satisfaction with special products	4.3867	0.9284	3.2267	1.3713
16. Resources spent on new product development	3.8133	0.8169	2.6133	1.1728
17. Number of new products or variations	3.3067	1.0651	2.4533	1.2114
<b>Product and customer profitability</b>				
18. Product profitability	4.8267	0.5544	4.1067	1.1219
19. Customer profitability	4.4800	0.9058	3.5333	1.4643
<b>Competitiveness</b>				
20. Growth of revenues	4.1333	0.7941	4.1200	1.0392
21. Change in market share	3.8133	0.9822	3.1600	1.3856
22. Behaviour of competitors	4.0000	0.9153	3.0533	1.2723
<b>Financial performance</b>				
23. Company profitability	4.8267	0.4757	4.6000	0.7166
24. Liquidity	4.1733	0.8443	3.5600	1.2970
25. Capital structure (indebtedness)	3.8533	0.8806	3.1733	1.2668
<b>Environmental effects</b>				
26. Environmental effect of production	3.5270	0.9824	2.4933	1.2879
27. Environmental effect of the use of products	3.4054	1.0326	2.2667	1.2229

#Scale of potential importance:

- 1 = this item of information would be of no significance at all in my job
- 2 = this item of information would be only of a little significance in my job
- 3 = this item of information would be of an average significance in my job
- 4 = this item of information would be of a relatively high significance in my job
- 5 = this item of information would be of a very high significance in my job

\$Scale of real importance:

- 1 = utilization of this information item in my job is of no significance at all
- 2 = utilization of this information item in my job is only of a little significance
- 3 = utilization of this information item in my job is of an average significance
- 4 = utilization of this information item in my job is of a relatively high significance
- 5 = utilization of this information item in my job is of a very high significance

(Entrepreneur; Disturbance Handler; Resource Allocator; Negotiator). In this survey, the most important roles perceived by CEOs were the leader, the entrepreneur and the resource allocator roles. This shows that the interpersonal roles and the decisional roles are of special importance to the work of a CEO. Table 2 shows descriptive statistics for the role variables.

Since each CEO may pursue a combination of several roles in his or her job, the factor analysis was used to extract most important combined roles. Three important combined roles of CEO work were extracted: informational role (Monitor-Disseminator); leadership role (Entrepreneur-Leader); and interpersonal role (Liaison-Figurehead). In this analysis, informational roles were emphasized as having high loadings on the principal (first) factor. The factor solution was based

Scale:

- 1 = this role is of no significance at all in my work
- 2 = this role is only of a little significance in my work
- 3 = this role is of an average significance in my work
- 4 = this role is of a relatively high significance in my work
- 5 = this role is of a very high significance in my work

Managerial role	Mean	Standard deviation
1. Figurehead	3.2500	1.1676
2. Leader	4.6447	0.6871
3. Liaison	3.8026	0.8330
4. Monitor	3.2368	0.8774
5. Disseminator	3.7632	0.8774
6. Spokesman	3.4342	0.9428
7. Entrepreneur	4.3026	0.8330
8. Disturbance handler	3.9079	0.7862
9. Resource allocator	4.0000	0.8485
10. Negotiator	3.4605	0.9992

Table 2. Descriptive statistics of Mintzberg (1973) work role variables

on orthogonal rotation, so that these hidden role types are independent of each other.

### Importance of information

The most important information items in real managerial work as reported by CEOs were associated with product profitability, company profitability, cost of activities, and customer profitability. Thus, profitability information and other financial & accounting information were reported as key information in managerial job. However, also non-financial measures such as customer satisfaction and motivation of employees were regarded as job-relevant information. The high relevance of financial information was as expected because CEOs are heavily concentrated on strategic long-term perspective that is typically described in financial terms.

The number of information items was reduced by the factor analysis. Four important information factors were extracted: conventional non-financial information; financial & accounting information; new product & market information; and space & machinery information.

# Performance Measurement Information in CEO Work cont.

## Gap of information

The gap of information was measured as the difference between the potential importance and the real importance of information assessed by CEOs. The largest gaps were found in environmental effect of the use of products, capacity utilization of space, motivation of employees, resources spent on new product development, and customer satisfaction with special products.

The number of gaps was reduced by the factor analysis. Three relevant hidden types of information gap were found: activity, space & machinery information; product, employee & customer information; and environmental effects & new product information gaps. These gaps showed that usually CEOs get enough financial information and the main gap is associated with non-financial information.

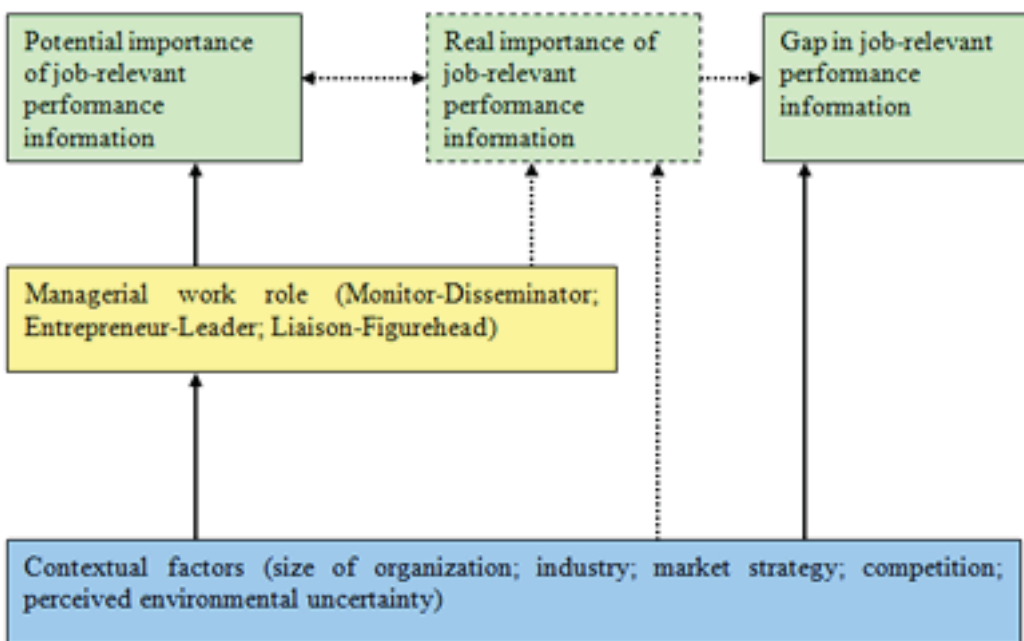
The extracted gaps included conventional non-financial information (such as product, employee & customer information) but also information that is difficult to measure due to the lack of measurement conventions and tools. Such non-conventional information is associated with new products, space, machinery, environmental effects, and also quality and time of activities.

## Contextual factors

The direct effect of contextual environment on importance of information was found weak for each type of information. However, it was recognized that the importance of new product & market information increases in the size of organizations. Contextual variables affected strongly the managerial role perceived by CEOs. Especially the importance of the Monitor-Disseminator role

is significantly affected by these variables. This informational role to collect and give information is more important in smaller firms.

The Entrepreneur-Leader role to initiate controlled changes and to motivate subordinates to act is more important in larger firms and in firms perceiving more uncertainty in environment (PEU). The Liaison-Figurehead



role to develop webs of contacts and to perform symbolic duties was a general symbolic role and independent of contextual variables.

## Work roles and information

The results show that the potential importance of information was closely associated with the managerial work roles. In particular, the importance of financial & accounting information and non-financial conventional information were strongly affected by the CEO roles. The informational

Figure 1. Relationship between importance of performance information, managerial work and contextual factors.

role affected positively the importance of three types of information (conventional non-financial, financial & accounting, and space & machinery information).

The leadership role emphasized three types of information (conventional non-financial information, new product & market, and financial & accounting information). However, the interpersonal role that is independent of contextual variables, was only associated with the importance of financial & accounting information. Thus, outside contacts and symbolic duties typically require only this kind of information.

In conclusion, managerial work seems to mediate the effect of contextual variables on the potential importance of job-relevant performance information. In addition, the results showed that information gaps are closely associated with contextual variables but not with managerial work.

### Implications

This study shows that the potential importance of performance information does not directly depend on contextual variables such as organizational size, industry, strategy, competition, and PEU. However, the characteristics of managerial work are strongly affected by these contextual variables. Additionally, the potential importance of information is largely determined by the work characteristics. Therefore, managerial work acts as an intervening variable that mediates the effect of contextual variables on the importance of information. Figure 1 summarizes these relationships.

Therefore, it seems that when designing performance measurement systems for CEOs, it is more important to pay attention to the managerial roles taken by the CEO, than the context. The study also shows that the information gap for CEOs does not depend on the managerial roles but on the contextual variables such as industry, strategy and PEU. Therefore, the efforts in designing PM systems should be flexible to contextual variables to fulfill the information gaps to the same degree.

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# A New Typology of Waste

Alan Meekings and Steve Briault, Landmark Consulting

Advocates of Lean Thinking are fond of defining categories of waste, most of them derived from Taiichi Ohno's original list of seven categories of waste in manufacturing, namely: defects; inventory; over-processing; waiting; motion; unnecessary transportation; and over-production.

In a service context, more types of waste can be described, not all of which fit neatly into Taiichi Ohno's original listing, for instance:

- Multiple customer contacts to resolve a single issue;
- Missing, incomplete, inaccurate or irrelevant information;
- Imbalances between demand and capacity (bearing in mind that unused capacity in a service context cannot be stored as inventory and hence is lost forever); and
- Customers not receiving what they wanted when they wanted it, and then switching to other suppliers (often online, at the click of a mouse).

Indeed, it could be argued that managing service delivery is more challenging than managing manufacturing operations, not least because the concept of inventory is not applicable in the service arena and quality is typically judged by customers, rather than against detailed manufacturing specifications.

## Public Sector Implications

The problems of waste are particularly acute in the delivery of public services by monopoly providers. In the wake of discussions with managers in the public sector, exploring both positive and negative impacts of the former Labour Government's reform agenda for public services in the UK, we sense there are two, new generic categories of waste that ought to inform discussions about how best to improve public service delivery.

We term these two, new macro-level categories of waste Complacency Waste and Competition Waste. Thinking about these new macro-level categories of waste is relevant when considering issues such as: central control versus local autonomy; quasi-markets versus co-ordinated planning; customer choice versus efficient provision; etc.

Conceptually, Complacency Waste and Competition Waste ought to be polar opposites. However, paradoxically, they can and do co-exist, especially where front-line services are outsourced to commercial providers.

Let's explore these two new categories of waste in more detail.

## Complacency Waste

Complacency Waste arises from a combination of vested interests, monopoly provision and overly-secure employment.

Critics, ranging from Margaret Thatcher, through Tony Blair to the incoming Coalition Government in the UK, have railed against the seeming inability of monopolistic public service providers to deliver levels of customer satisfaction and cost-effectiveness comparable to those provided by leading organisations in the private sector.



Monopoly provision, so the argument goes, breeds complacency and inertia, because the stimulus and incentives that might promote change and innovation are lacking, and 'carrots and sticks' are in short supply.

Experience shows that, when performance targets are externally imposed, entrenched public service managers become defensive, keep their heads down and wait for politically-driven waves of initiatives to break over them and ultimately pass, almost unnoticed, into history.

Also, studies have shown that large bureaucracies, built up over years, can create a lethargic culture among staff and managers alike. Processes tend to become over-complicated and attention tends to become internally-driven, rather than customer-focused.

Interestingly, when highly-respected executives are brought in from the private sector to supposedly "shake up the system", they typically find themselves baffled by the levels of entrenched resistance they encounter.

In the face of such a depressing context, it's unsurprising that successive generations of politicians have sought creative ways of delivering public services other than through public ownership. The current situation facing the National Health Service (NHS) in the UK is a classic example. So, we need to consider whether competitive ideas (such as the 'choice agenda', 'marketisation' and 'diversification of the provider base') are likely to be more successful – and, if not, why not. This leads us to consider Competition Waste.

### **Competition Waste**

Competition Waste arises from the fragmentation and de-stabilisation of services that inherently benefit from integration. Free markets work because they offer surplus capacity, thereby enabling customer choice.

However, if all service providers were to be fully utilised, there would be no real customer choice. For instance, anyone who has looked for a taxi in London on a rainy evening is likely to have experienced a very long wait.

As consumers, we have lots of choices concerning where we get our hair cut or where we eat out, as there are lots of hair salons with empty chairs and lots of restaurants with empty tables. Collectively, we pay for this spare capacity but only indirectly, and the extra costs of competition are tempered by the prices markets will bear.

However, the same market benefits do not necessarily apply when considering scarce, expensive public services, such as hospital beds, operating theatres and skilled surgeons, where the waste associated with competition is much more striking.

There are also other sources of Competition Waste to consider, such as:

- Less-successful providers will go out of business, thereby making way for new entrants but simultaneously creating waste in terms of the human and financial costs involved in starting up and closing down;
- Free markets require competing providers to spend time and money on advertising and public relations, thereby diverting resources away from front-line service delivery;
- Perverse incentives are frequently created, especially if strategies are driven by organisational imperatives rather than underlying customer needs. For instance, if services are paid for on

## A New Typology of Waste cont..

a 'unit-cost' basis, it may be financially beneficial for providers to drive up demand, thereby increasing overall costs;

- Competition inhibits openness and the sharing of innovation between providers. As one senior hospital manager recently observed, "NHS Trusts will no longer be willing to pass on worthwhile improvement methods to colleagues in neighbouring hospitals and will instead keep quiet about anything that might give them a competitive edge"; and
- There are significant costs associated with coordinating outsourced public services. For instance, Professor Andy Neely quotes one example of how litter was defined in the maintenance contract between London Underground and Metronet, in an outsourced contract that subsequently failed catastrophically (see <http://en.wikipedia.org/wiki/Metronet>), as an illustration of some of the worst excesses of this approach.

So the interplay between Complacency Waste and Competition Waste could be seen to present an intractable dilemma. Which type of waste should we prefer, and, indeed, is it possible to avoid incurring both types of waste in public service delivery?

### Way Forward

We believe the way forward starts by observing that integrated service provision and customer choice each have their respective advantages, and can actually work in harmony. On the one hand, integrated service provision enables the benefits of whole system planning, comprehensive accountability and the avoidance of disruptive organisational failures.

On the other hand, customer choice enables self-organisation in complex situations, and stimulates innovation, experimentation, risk-taking and responsiveness to customer needs and preferences. Arguably, the next big opportunity, in terms of public sector reform, is to find ways to minimise both Complacency Waste and Competition Waste.

This implies an understanding of system dynamics, the identification of clear criteria for the design of governance and funding structures, and experience in connecting functions and levels of management, not only internally but also across organisational boundaries. Fortunately, this is not as difficult as it may seem, and techniques such as affinity analysis, end-to-end service improvement and performance management have something significant to offer.

However, people who currently understand how to create innovative organisational arrangements for the delivery of public services and how to deliver significant improvements to existing services are in short supply.

We look forward to contributing to ongoing discussions around important issues like this, particularly in the context of the challenging, cost-constrained environment currently facing public services in the UK.

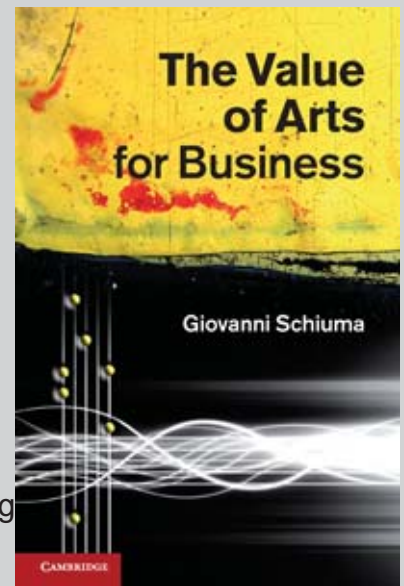
We believe avoidable waste is a luxury the world should no longer tolerate.

## New Book

# The Value of Arts for Business,

Cambridge University Press, by Giovanni Schiuma

The traditional view of the performance management is very much based on a rational and analytical philosophy of business models and management systems. The implicit fundamental assumption is that business performance improvements are based on the principles of the scientific management. In this perspective the arts in business have been considered, at best, as something nice to have or to support for social-cultural reasons and that they have nothing to offer from a management standpoint. The Value of Arts for Business challenges this view by showing how the arts, in the form of Arts-based Initiatives (ABIs), can be used to enhance value-creation capacity and boost business performance.



What is the value of arts in business? What is the role of the arts in management? How can the arts contribute to improve business performance? Why do organisations need to absorb the arts in their working mechanisms and business models? These are some of the main questions that occupy the debate about the strategic relevance of the arts in business. Professor Giovanni Schiuma provides answers to these fundamental issues and shows how the arts can enhance organisational value capacity. In this scholarly book the author systematically elucidates the benefits that organisations can achieve by absorbing the arts in their working mechanisms and management systems.

The Value of Arts for Business proposes the arts as a new 'territory' to innovate management systems and the Arts-Based Initiatives (ABIs) are analysed as managerial instruments to manage the organisation's aesthetic dimensions with a positive impact on the development of organisational people and infrastructure.

The importance of clarifying how the arts can contribute to the development of organisations appears particularly crucial in today's complex business landscape. As organisations are searching for new solutions to engage and improve the working life of their people, face difficult management challenges, generate experience-based market value and spur resilience and innovativeness, the arts can sustain organisations to find new possible solutions to the emergent business problems. Today, with so many business problems that are radically changing the economic and competitive scenario, it is critical for organisations to identify new knowledge to inspire management innovations. In this logic The Value of Arts for Business proposes the arts as a possible 'revolution' in innovating management practices, providing tools to manage organisational aesthetic experiences and properties. It proposes three models that show how organisations can successfully implement and manage ABIs to impact on business performance. Firstly, the Arts Value Matrix enables managers to see how organisational value-drivers are affected by ABIs. Secondly, the Arts Benefits Constellation shows how to assess the benefits of using ABIs. Finally, the Arts Value Map shows how ABIs can be integrated and aligned with organisational strategy and operations.

This book makes a significant theoretical and practical contribution. From theory viewpoint it lays the foundations for a new research area exploring the links between arts and business. While, from practical point of view it helps managers and arts-based organisations to better design, implement and assess ABIs that are fully incorporated into management systems and drive value creation dynamics.

For further information see: [www.cambridge.org](http://www.cambridge.org); [www.gschiuma.com](http://www.gschiuma.com)

# A Model of Investment in the Risk Management Process

## A Model of Investment in the Risk Management Process

Ross Ritchie and Jannis Angelis, Warwick Business School

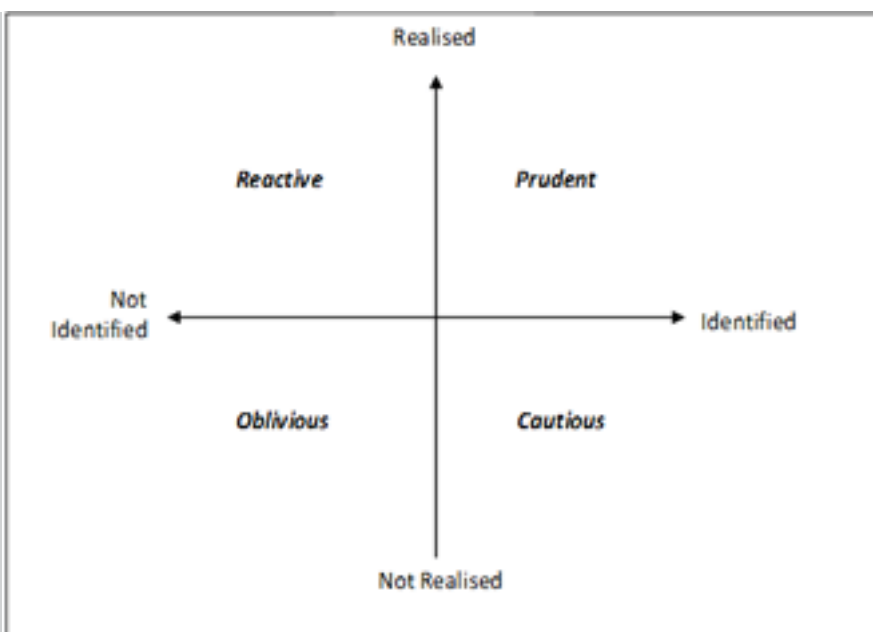
Our research programme seeks to identify the different forces driving the risk management process in the UK energy industry. Specifically it investigates the assessment and analysis phases of risk management when confronted with pure risk. The importance of pure risk management is being increasingly recognized as a discipline with great economic value, potentially equal to that of speculative risk practices (Croughey et al., 2001).

Pure risk is a distinct category of risk that occurs where there is only the opportunity for loss (Williams, 1966; Banks, 2004); this is separate but complimentary to speculative risk, where imprecision to expected outcome is the dominant force and it is inseparable from the risk-reward relationship (al-Binali, 1999). Investment (treatment) in risks is the ultimate outcome of the risk assessment process, whether financial or a more rudimentary resource based view. Investment may occur as part of the identification, ex-ante (preventative) or ex-post (responsive) phases of a risk's lifecycle (the latter two of these terms discussed in more depth by Lewis, 2003).

Initial research results indicate that the level of investment in identifying, treating and reacting to risks in all phases of the lifecycle are contingent on the use of informal and formal performance systems, as well as the beliefs held by officers of the energy companies. Power (2005) Mikes (2009) provide a critical study on how (risk) calculative cultures are affected by control systems. This complex relationship is driven because risk types impacting the energy industry are broad. In effect there is no dominant risk type articulated. Although the energy industry is not unique in having this risk diversity, it offers as a socially and politically relevant study. The risk types encompass not only the common views on financial risk taking, but also a growing weight of social, environmental and safety risks; which through interview have been shown as difficult to operationally reconcile to one another.

The model proposed is a post-mortem view of a risk management period; it exposes the investment decisions and consequences in the process. It aids organisational reflection on risk management decisions, promoting consideration of whether approaches taken are consistent with their core competencies and environmental conditions.

Figure 1: Post-mortem risk positions



The two axes of the model are identification and realization. Identification is the threshold of ex-ante risk identification. Initial results show that the position of this axis is affected by the formal risk management performance system, with efficiency of identification being driven by technical and market knowledge in the organisation. The realization axis is a retrospective view of risk events becoming materialised in period. The position of this axis is a construct of probability, risk probability mitigation, risk avoidance and option selection.

The resultant model offers four positions adopted by the organisation. Where events occur resulting in loss, and there had been no prior identification of the possibility, reactive strategies must be adopted. Using a theoretical assumption that all identified potential loss events attract investment in mitigation or avoidance; retrospectively where events had been identified and subsequent causal forces evolved to generate the event, these would be considered prudent management choices. Whereas where identified events did not materialise there could be criticism for caution, or wasted investment. The final position is that of being oblivious, the events were not identified and did not occur.

This exposes some of the risk investment decisions being made. Where an organisation has developed a core capability in reactive risk management, there becomes a positive trade off to avoiding costs in the identification process, the by-product is avoidance of wasted mitigation investment (cautious management); this is avoidance of type 1 errors. However where events are so costly that reactive management is inappropriate, costs in identification must be incurred, leading to potential for over investment in mitigation where events do not occur (the cautious position).

For knowledge and learning the added complexity of actions taken to mitigate probability of events becomes challenging to calculate, because it can appear that effective prudent action has resulted in wasted investment; it is difficult to separate what would have occurred if investment had not been made.

Because organisations do not systematically treat all identified risks due to resource constraints; the optimal solution would be where risks selected for treatment are located in the prudent position (they would be realized), and accepted in the cautious position. The selection of risk treatment is where the individual beliefs of officers in companies come into greatest affect. It has been shown for other than catastrophic risks, which the treatment for is controlled by statute or regulation, the treatment of middle and low impact risks are not specified or implemented by performance systems in use, and it becomes a matter of individual or organisational risk appetite.

The subject of risk appetite has been observed as the area with greatest practitioner interest. Organisations show a desire to both codify their risk appetite in order to make consistent and effective risk investment decisions but also to link their articulated risk appetite with their strategic statements and to embed these beliefs in their managers, as a course of operational decision making.

The research programme continues to explore which aspects of both formal and informal performance systems are likely to have the greatest bearing on these risk investment decisions as part of the risk analysis and treatment phases of the process.

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# Methodology for Assessing Team Performance

## Developing A Methodology for Assessing Virtual Teams Performance Perception

*Pedro Gustavo Siqueira Ferreira<sup>1</sup>, Edson Pinheiro de Lima<sup>1, 2</sup>, Sergio E. Gouvea da Costa<sup>1, 2</sup>*

The nature of teams has changed significantly because of changes in organizations and the nature of the work they do. Organizations have become more distributed across geography and across industries.

Virtual teams are the next logical step in the evolution of organizational structures (Lipnack and Stamps, 1999) and the success in creating a virtual world depends on how clearly the objectives have been defined and to what extent the process necessary for the accomplishment of the objective has been designed (Norton and Smith, 1997).

Three elements of virtual teams allow them to achieve their purpose: cooperative goals, interdependent tasks and concrete results. Virtual teams rely upon a clear purpose because of their cross-boundary work. Cooperative goals define the outputs desired, while interdependent tasks connect those desired outcomes to those achieved

Organizational and cultural barriers are serious impediment to the effectiveness of virtual teams. Many managers are uncomfortable with the concept of a virtual team because successful management of virtual teams may require new methods of supervision (Jarvenpaa and Leinder 1998). Managing the logistics of communication alone can prevent organizations from developing a common ground.

## Research Development and Methodology

This paper presents an exploratory research since the goal is to measure the effectiveness of a Performance Measurement System in a global virtual environment of a company with teams distributed in 3 continents (America, Europe and Asia).

Initially it will be gathered information through a survey aiming to prove that the communication being utilized is ineffective. According to Bryman (1989), the survey is a gathering of data from a group, restricted to a time frame, with the objective to collect data related to specific variables.

After gathering data using the survey, a focus group session will be conducted with selected members of the leadership team of this organization.

## Questionnaire

Questionnaires are useful when gathering information from large groups. They can be targeted to particular groups or sent to a random sample of residents. Before creating a questionnaire, start by asking yourself a few important questions:

- What do I need to know?
- Why do I need to know it?
- What will happen as a result of this questionnaire?
- Can I get the information from existing sources instead of conducting a survey?

As with determining the purpose, this should be based on the objectives of your educational program and the evaluation of its outcomes and impact. Consider which of the following you are aiming to measure:

- Attitude
- Knowledge

- Skills
- Goals, intentions, aspirations
- Behaviors and practices
- Perceptions of knowledge, skills, or behavior

**Focus Group**

A focus group is a form of qualitative research in which a group of people are asked about their perceptions, opinions, beliefs and attitudes towards a product, service, concept, advertisement, idea, or packaging. Questions are asked in an interactive group setting where participants are free to talk with other group members.

Morgan & Krueger (1993) argued that the advantages of focus groups for investigating complex behaviors and motivations were a direct outcome of the interaction in focus groups, what has been termed “the group effect” (Carey, 1994, Carey & Smith, 1994). Traditional focus groups can provide accurate information, and are less expensive than other forms of traditional marketing research.

**Research implementation**

The research protocol is indicated in the figure 1 below:

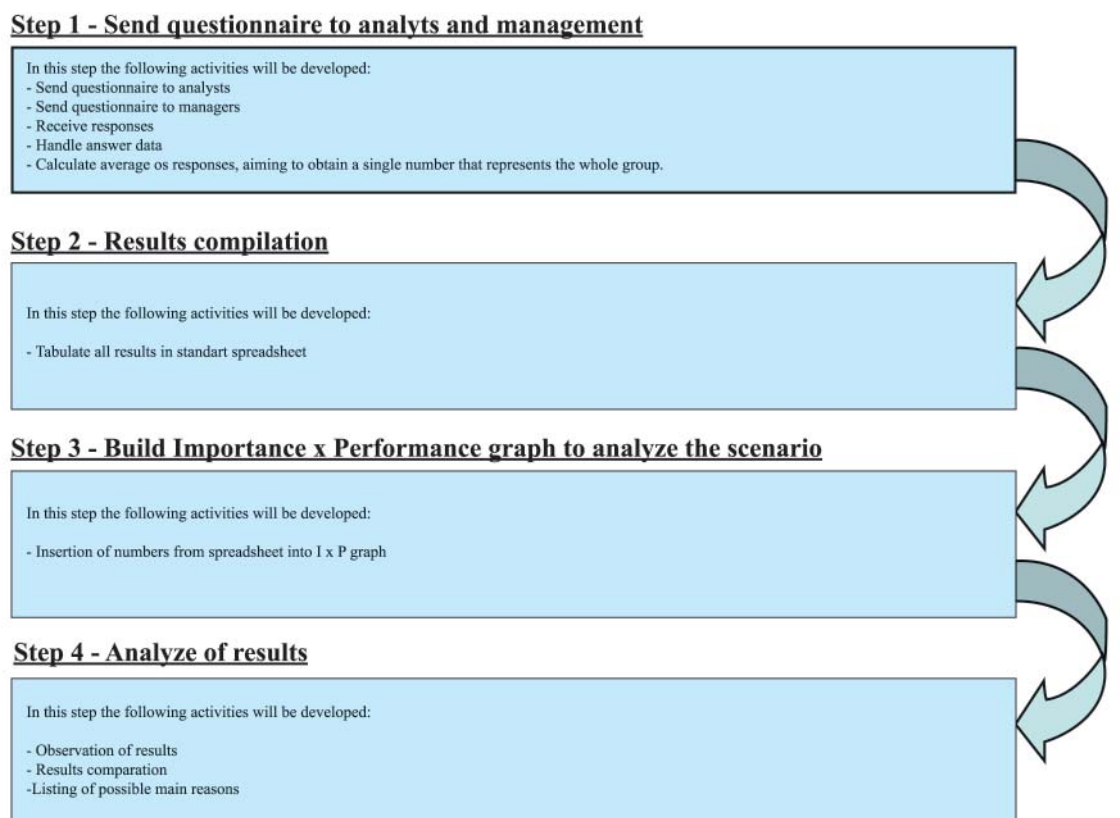


Figure 1 - research protocol

The outcome will be inputted in the table described in Table 1. Utilizing the compiled data from the step 2, a importance x performance graph, such as the one in Figure 2 will be created. Graphs should be created to compare the results of each team/location involved in this research. The graphs will be then presented to the focus group participants aiming to initiate the discussion.

# Methodology for Assessing Team Performance cont..

**Table 1: Priorities measures**

	COUNTRY								
	1	2	3	4	5	6	7	8	9
Competence									
Access									
Flexibility									
Creativity									
Customer Service									
Consistency									
Speed									

## Data analysis

For this type of research the data analysis method was used, described by Hill (1993), that places the competitive factors as: decision makers, qualifiers and less important, comparing to the expectation of the customer over the products. Therefore, instead of customer x company, we will have subordinate x superior and the criteria would be:

- Decision Maker: Factor that highlights a specific characteristic when compared to the others;
- Qualifier: Factor that qualifies a group, justifying its existence;
- Less important: Factor that despite the importance is not taken as seriously as the ones listed above.

The Matrix Importance x Performance, created by Slack (1997), is a tool that demonstrate the position in which processes and corporate dimensions, competitors and clients, find themselves when compared to the company environment. Therefore, following this rationale this matrix is proposed to be used in order to verify the adherence of management concepts to their teams, aiming to report existing communication gaps between the two actors and realign the strategy to get more efficiency in the process and group goals.

Table 2 illustrates the structure used to segregate the management’s priorities. Table 3 illustrates the structure used to segregate the team’s priorities. After segregating the priorities, it is possible to visualize which areas need improvement, alignment and review. In this step it is possible to identify which priority of the Performance Measurement System requires a better communication strategy.

## Conclusion

The work force is now distributed globally in several continents, providing, therefore, multicultural teams. Such teams are becoming the operations of those companies and PMS are being used to guarantee that the productivity is maintained at the same level.

However the comprehension of Performance Measurement Systems may diverge from a management perspective to a operational perspective, as described by Ferreira et al (2010). The reduction of such deviation in the comprehension of such important tool in a globalized world is crucial to keep the virtual organism alive and aligned to the company’s objective.

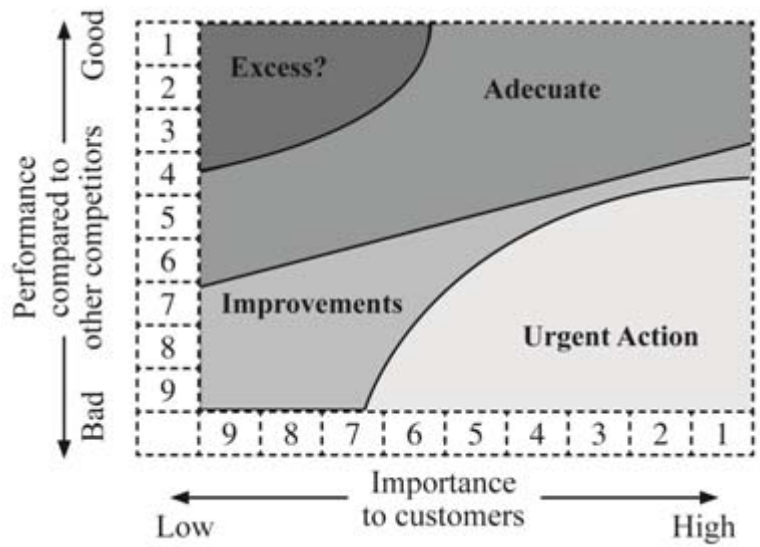


Figure 2 – Performance x Importance matrix (adapted from Slack, 1997)



Importance to customers of the company	
<b>REQUEST WINNER CRITERIA</b>	
1.	Provides crucial advantage to clients - it is the main competitive impulse
2.	Provides important advantage to clients - it is always considered
3.	Provides useful advantage to clients - it is normally considered
<b>QUALIFIER CRITERIA</b>	
4.	Must be at least slightly above the sector average
5.	Must be around the sector average
6.	Must be at a small distance to the sector average
<b>LESS RELEVANT CRITERIA</b>	
7.	Normally is not considered by the clients, but can become more important in the future
8.	Rarely is considered by clients
9.	It is never considered by clients and probably never will

Table 2 – Importance to customers

Performance compared to competitors	
<b>BETTER THAN COMPETITORS</b>	
1.	Consistent and considerably better than our best competitor
2.	Consistent and clearly better than our best competitor
3.	Consistent and slightly better than our best competitor
<b>EQUAL TO COMPETITORS</b>	
4.	Frequently slightly better than our best competitor
5.	Aproximatly the same of most of our competitors
6.	Frequently, in a short distance to our main competitors
<b>WORSE THAN COMPETITORS</b>	
7.	Usually slightly worse than most of our main competitors
8.	Usually worse than most of our competitors
9.	Consistently worse than most of our competitors

Table 3 – Performance Compared to competitors

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## PMA Seminar Series

The PMA Seminar Series is a series of events that are run and hosted by PMA members or 'host organisers' in different locations around the world. A volunteer member develops the theme, title and content of the seminar and presents this to the Chairman of the PMA. When the proposed seminar theme is agreed the host organiser finds a suitable venue and arranges the speakers, material and catering.

The format for the events is relatively flexible, but essentially it is anticipated that it will be a one day event run for approximately 20-40 delegates, with a number of invited speakers and opportunity for interaction. Lunch and refreshments should be provided and information regarding accommodation options should be made available to delegates. The PMA will help to promote the event and will process all bookings via an online booking system.

Marketing will be to PMA members directly, via email and also by advertising in the PMA newsletter and the website. Additional marketing activities may also be undertaken as necessary by the PMA. The host organiser will, also encourage registrations by utilising local knowledge and networks.

It is anticipated that these events will run yearly in order to establish a portfolio of recurring events, although topics and speakers can change as the host organiser deems appropriate. One off events will also be considered.

Current Scheduled Events are listed below:

Teaching Performance Measurement and Management Workshop - 12 May 2011, Cambridge UK

ControllersXchange™ 2011 - Performance Management - 6 October 2011, Frankfurt, Germany

If you are interesting in establishing a seminar in this series then please contact [pma@performanceportal.org](mailto:pma@performanceportal.org).

# Measuring Business Excellence Issue

Measuring Business Excellence has just published volume 15, issue 1

## Articles:

**“Longitudinal research into factors of high performance: the follow-up case of Nabil Bank”**, *André de Waal and Miriam Frijns*

There is a real need for longitudinal research into the factors that cause or contribute to sustainable high organisational performance. Especially in Asia there has not been much research into this topic. The goal of this study is to evaluate whether paying dedicated attention to the factors that were found during previous research to determine the sustainable success of a high-performance organisation (HPO) in Asia would result in sustainable increased organisational performance.

**“Empirical analysis of the Baldrige Criteria as both an organisational performance measure and a theoretical model”**, *Nihal Palitha Jayamaha, Nigel Peter Grigg and Robin Stephen Mann*

The purpose of this paper is to test empirically two key measurement perspectives – measurements in the context of a theoretical model that predicts/explains results, and measurements in the context of generating an overall score on performance excellence – of the Baldrige Criteria for Performance Excellence (BCPE) using data from Australasian Business Excellence Award applicants.

**“Determination of the success factors in supply chain networks: a Hong Kong-based manufacturer’s perspective”**, *S.I.Lao, K.L.Choy, G.T.S.Ho, Y.C.Tsim and N.S.H.Chung*

The purpose of the paper is to investigate the factors that affect the decision-making process of Hong Kong-based manufacturers when they select a third-party logistics (3PL) service provider and how 3PL service providers manage to retain customer loyalty in times of financial turbulence.

**“Comparative study of framework, criteria and criterion weighting of excellence models”**, *Balvir Talwar*

This paper seeks to present a comparative study of framework, criteria and criterion weighting of 20 Excellence Models/National Quality Awards (EM/NQA), to identify their common features, contradictions and to propose suggestions for development and review of EM/NQA. It also aims to provide some clues to attain sustenance of business results

**“Proposing a quick best practice maturity test for supply chain operations”**, *Torbjörn H. Netland and Erlend Alfnes*

The purpose of this paper is to propose a quick maturity test to assist a company’s development of a supply chain operations strategy. Maturity tests and models have been developed within several areas, but there is a lack of maturity tests targeting supply chain operations.



**“Performance measurement in automated manufacturing”**, *Alok Mathur, G.S.Dangayach, M.L.Mittal and Milind K. Sharma*

Today’s customer-focused paradigm of business environment puts tremendous pressures of quality, delivery, dependability, flexibility and cost on the manufacturing organisation. Automatic manufacturing systems offer several advantages and are increasingly being adopted as a strategy to improve the performance of manufacturing organisations. Automatic manufacturing systems are highly sophisticated and expensive, and it is therefore important to maximise their productivity. Yet, one can improve only what one can measure. Performance measurement is the key to improving performance, and is a prerequisite to diagnosing, trouble-shooting and improving the production system. Accordingly, performance measurement has been attracting increasing attention over the last two decades, and several frameworks have emerged for the design, review, evaluation and improvement of performance measurement systems for businesses and manufacturing organizations. The performance measurement, monitoring and continuous productivity improvement of automatic manufacturing systems has assumed special significance on account of their high investments and operating costs.

**“Visualization: the bridge between commitment and control”**, *Leo Kerklaan*

This paper seeks to point out that visualization of business situations will stimulate the learning processes of managers and employees. Visualization or problem modeling enhances their commitment for improving organizational readiness to perform at a higher level.

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### **MBE scope and unique attributes**

Measuring Business Excellence provides international insights into non-financial ways to measure and manage strategic business performance and company’s value creation dynamics. Measuring Business Excellence is one of the most recognized international outlets focusing on strategic performance management and measurement. It is a research platform aiming at investigating and understanding how managers can define, implement, revise, and improve performance management systems in their organizations. For this reason the is focused on the application of best practice, implementation of innovative thinking and learning how to use different PMSs. MBE provides insights about how to use innovative frameworks, approaches and practices for understanding, assessing and managing the strategic value drivers of business excellence. It publishes both rigorous academic research and insightful practical experiences about the development and adoption of assessment and management models, tools and approaches to support excellence and value creation of 21st century organizations both private and public.

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# Transformative learning in the public sector

## Introducing transformative learning in the public sector: the use of the STAIR<sup>1</sup> self-reflection technique for establishing the learning public organization

*Dr Maria Zeppou, Imperial College & LSB University, UK, National School of Public Administration, Greece;*

*Dr Tatiana Sotirakou, Hellenic Open University, Institute of Continuing Training, Greece*

**D**uring the past two decades the learning organization has become the watchword in the field of organizational change and development and continues to be of increasing interest today, as evidenced by the volume of literature devoted to the topic (Senge, 1990; Argyris & Schon, 1996; Pedler et al, 1997; Elkjaer, 2001; Ayas & Zeniuk, 2001; Salisbury, 2001; Boyatzis 2008).

Implied in the organizational literature is that the learning organization is a high performing organization, because of its capability of transferring knowledge into problem solving, creating new knowledge, innovating and successfully adapting to environmental demands (Ulrich et al, 1993; Nonaka, 1994; Schein, 1997; Beer, 2001; Thomsen & Hoest, 2001; Goh & Ryan, 2002).

It is generally accepted that if public organizations want to survive and prosper under the current globalized and competitive environment they must rapidly change their way of thinking, acting and learning (Osborne & Gaebler, 1992; Gore, 1993; Kettl, 2000; Hockey et al., 2005; Boyatzis 2008).

This means that public managers / leaders and their staff instead of focusing on controlling bureaucracies and being preoccupied with roles and regulations in performing their duties, have to steer rather than row, innovate, be in charge of a new leaner, flexible and adaptable government machine (Osborne & Gaebler, 1992; Osborne & Plastrik, 1997; Box, 1999; Denhardt & Denhardt, 2000; Hockey et al., 2005; Sotirakou & Zeppou, 2006; Boyatzis 2008).

It is argued, therefore, that public sector metamorphosis from a rigid and congested bureaucracy to a modern and flexible organization constitutes a dynamic transformative learning process tantamount to creating a learning public organization.

How best to navigate the transition towards the establishment of the learning public organization remains a challenge of the current modernization agenda.

The present paper seeks to address this issue by presenting the results of a research undertaken within the Greek public administration context. In this study, the terms “organizational change” and “learning public organization” have a similar meaning and will be used interchangeably. They are considered as multidimensional concepts including e.g. goal accomplishment, service quality and standards, speed in service delivery, employee productivity and organizational innovation.

### **Research methodology**

The basic research argument is that modernizing Greek public administration or establishing the learning public organization means a shift from a bureaucratic organizational learning – “single loop” learning, towards an innovative and reflective organizational learning – “double loop” / “transformative” learning (Argyris & Schon, 1978; 1996; Pedler et al, 1997, Ayas & Zeniuk, 2001; Jarvis, 2004; Kokkos, 2005; Mezirow, 2000; 2007). Namely, building the learning public organization is a dynamic double-loop / transformative learning process, where Greek employees collectively question the status quo and challenge the prevailing assumptions at both the formal and informal level of their organization.

Therefore the identification of the learning competences needed for transforming Greek public sector employees into reflective practitioners and their organizations into reflective entities was the main objective of the current research.

However, learning does not occur naturally, it is a complex organizational process that needs to be initiated and sustained. Thus, creating a learning public organization requires a framework which embodies both the formal and informal frames of learning.

Within the context of the present research the STAIR model (Zeppou & Sotirakou, 2004) has been used as the appropriate learning framework for managing the transformation process.

**Research model and method**

STAIR model (figure 1) is a conceptual framework that can be used as a vehicle for critical reflection, questioning and challenging all the aspects of an organization (Zeppou & Sotirakou, 2004). In particular, the STAIR framework consists of three distinct but complementary phases: strategy design (STA), strategy implementation (I) and strategy evaluation (R) - which represent the

critical phases of an organization’s production cycle and constitute the operational core of the model {see Figure 1.1: (STA)-(I)-(R) phases}. The operational aspect of the model contains a set of activities that the organization must execute successfully in order to achieve organizational

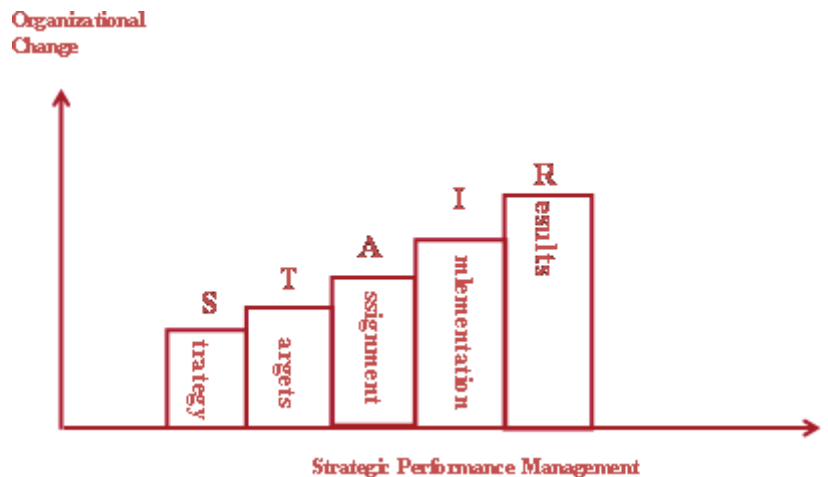


Figure 1 : The “STAIR model

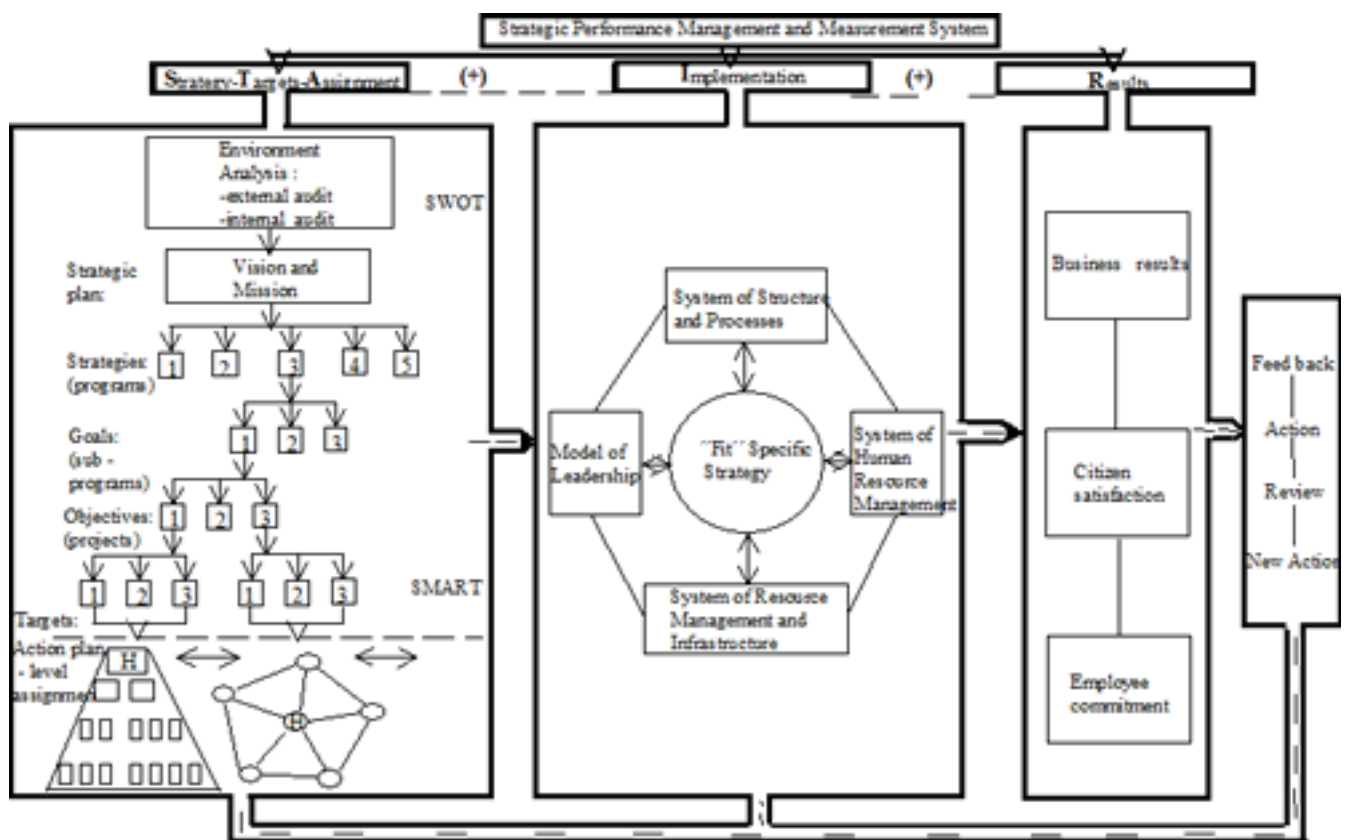


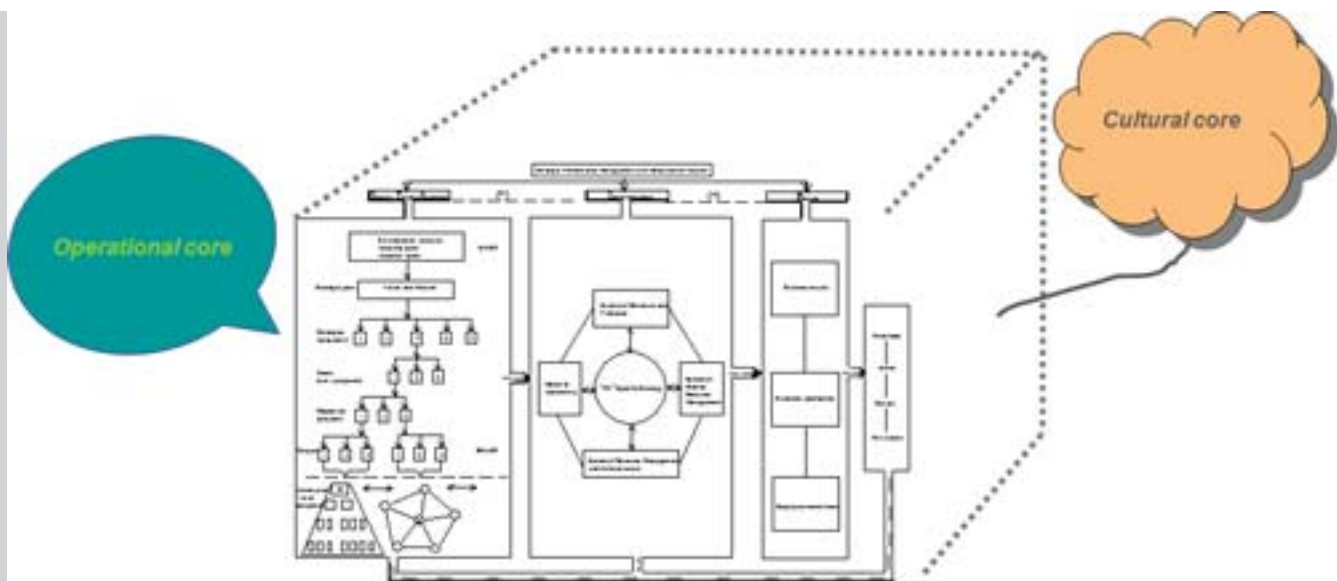
Figure 1.1 : The STAIR Deployment

## Transformative learning in the public sector cont..

change e.g. scanning of the environment, acknowledgment of stakeholders needs, formulation of strategic plans, building consensus, assignment of projects, implementation of specific action plans through alignment of the various sub-systems, measurement & review of outputs etc. (Figure 1.1: the visible aspects of the model - Appendix).

Additionally, the STAIR model puts an emphasis on the development of the intangible assets that underpin its operational core. These intangibles constitute the cultural core of the model and include the set of values that the organization must cultivate in order to sustain change e.g. employee commitment, citizen focus, transparency, meritocracy, trust, participation etc. (Figure 1.2: the invisible domain of the model- Appendix).

Figure 1.2: The two cores of the STAIR-model



We argue, therefore, that STAIR can become a tool for managing organizational change towards the learning public organization if it is used as a self-reflection, cognitive approach for identifying the learning competences needed for managing the transformation process.

In order to define the learning competences a research survey was conducted. A questionnaire which operationalized the competences needed for managing the operational and the cultural core of the STAIR was administered to a sample of public sector employees (350). The survey participants were asked to think, reflect and evaluate their organizations against these operational and cultural competences.

### Research findings

The results indicate that change towards the learning public organization lies in a set of transformative learning competences, expressed and realized through inspired leadership, flexible work structures, work team efforts and simplified processes.

In particular, factor analysis performed revealed the array of competences, which were extracted as the most important components of the operational and the cultural core of the STAIR model and are the prerequisites for establishing a learning public organization. Factor analysis results are presented in the following Tables.



**Table (1) Operational Core: (STA) Phase**

Transformative Thinking Competences		% of variance
<b>Factor 1</b>	Strategic planning	34,015
<b>Factor 2</b>	Developing performance indicators	18,802
<b>Cumulative %</b>		<b>52,817</b>

“Developing performance indicators” includes: Realistic targets (0,704), Measurable targets (0,651), Specific targets (0,635), Time bound targets (0,583) Internal environment conditions (0,453)

“Inspirational leadership” includes: Leadership effectiveness to rule by example & gain trust (0,829), Leadership effectiveness to inspire and motivate staff (0,825), Leadership effectiveness to communicate & listen staff views (0,817), Leadership effectiveness to recognize & reward hard effort (0,815), Leadership effectiveness to cultivate staff job autonomy & initiation (0,789), Leadership effectiveness to manage projects implementation (0,739), Strategic implementation effectiveness (0,696), Leadership effectiveness to innovate & implement new ideas (0,680), Staff involvement-initiation (0,621), Objective job evaluation (0,607), Flexibility in law interpretation (0,559), Data openness – transparency (0,501)

“Information management” includes: IT systems development (0,809), Effective e-management (0,779), Input efficiency (0,582), “Employee empowerment” includes: Employee initiation (0,806), Employee accountability (0,745)

**Table (2) Operational Core: (I) Phase**

Transformative Acting Competences		% of variance
<b>Factor 1</b>	Inspirational leadership	35,803
<b>Factor 2</b>	Information management	15,943
<b>Factor 3</b>	Employee empowerment	9,522
<b>Cumulative %</b>		<b>61,268</b>

“Strategic planning” includes: Effectiveness in action plan design (0,845), Effectiveness in business plan design (0,838), Effectiveness in strategy’s communication (0,778), Effective assignment of strategy (0,711), Citizens requirements (0,630), Agreeable targets(0,621), Employees needs (0,612), External environment trends(0,556), Staff participation in objective setting (0,391)

**Table (3) Operational Core: (R) Phase**

Transformative Reflecting Competences		% of variance
<b>Factor 1</b>	Citizen & stakeholder engagement	67,405
<b>Cumulative %</b>		<b>67,405</b>

“Citizen & stakeholder engagement” includes: Ability to incorporate staff suggestions (0,848), Ability to incorporate citizens views (0,839), Ability to measure projects results-strategic evaluation (0,830), Ability to analyze & solve problems (0,825), Ability to conduct staff survey (0,821), Ability to carry out citizen survey (0,813), Ability to measure, manage, feedback results & introduce change (0,770)

“Cognitive intelligence” includes: Staff reward for active participation –initiation (0,813), Staff reward for continuous self assessment (0,792), Staff reward for strategic/systemic/critical thinking (0,780), Staff reward for flexibility (0,776), Staff reward for adaptability (0,740), Staff reward for creativity & innovation (0,713), Staff reward for continuous self development (0,649)

“Entrepreneurial & ethical intelligence” includes: Results oriented –cost conscious culture (0,796), Citizen oriented culture (0,777), Value-driven (transparency, meritocracy) (0,771),

Strategic Thinking-acting-measuring organization (0,676), Bottom up strategy – participation management (0,556), Team-based operational structure (0,533), Acceptance of staff suggestions (0,476)

“Life long learning intelligence” includes: Research investment (0,823), Research orientation –organizational knowledge creation (0,686), Frequency of citizens need analysis (0,547), Climate of continuous organization learning & development –action based on output (0,513), Innovation – transform ideas into projects (0,509), Frequency of process simplification /simplified processes (0,425)

**Table (4) Cultural Core of the STAIR**

Transformative Cultural Competences		% of variance
<b>Factor 1</b>	Cognitive intelligence	28,714
<b>Factor 2</b>	Entrepreneurial & ethical intelligence	21,387
<b>Factor 3</b>	Life long learning intelligence	16,324
<b>Cumulative %</b>		<b>66,425</b>

# Transformative learning in the public sector cont..

## Conclusions

Organizational change towards the establishment of a learning public organization is not a mechanical top-down process. It is a unique, organization-specific transformative learning process, that must be developed as an internalized continuous process, which is embedded in the organizational culture and is considered by every member of the organization as a strategic tactic for learning and innovation.

Increased thinking, reasoning and reflecting on the two core systems of the STAIR model, smoothens the road for Greek public sector modernization. In other words, continuous experimentation and feedback of how an organization thinks and acts creates shifts in people mental models, influences their actual behavior and facilitates the foundation of the learning public organization.

## Implications

Extensive training is needed in order to develop the relevant transformative organizational capabilities – viz. the STAIR know how. The importance of inspirational leadership competences was greatly recognized. Public sector managers have to espouse new values e.g. cognitive and emotional intelligence and have to lead by encouraging participation, collaboration and transformative life long learning.

<sup>1</sup> STAIR: Strategy, Targets, Assignment, Implementation, Results (Zeppou & Sotirakou, 2004)

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## Surveying Balanced Scorecard Usage

In 2008 2GC Active Management - a specialist Performance Management consultancy - (2GC) started an internal research project to collect information on Balanced Scorecard usage - this in turn evolved into an open survey of Balanced Scorecard usage run in 2009. An improved / revised version of the survey was completed in 2010, and in March 2011 data collection for the 2011 Balanced Scorecard usage survey began. In this article we provide some background about the survey and explain some of the reasons behind our decision to fund and execute the research.

### Understanding the importance of design methods

A Balanced Scorecard monitors the performance of all or part of an organisation, towards (usually) strategic goals. It uses limited number of financial and non-financial performance measure / target pairs to highlight areas where the organisation's performance deviates from what was required or was expected. Developed in the 1980s and popularised in the early 1990s, the Balanced Scorecard is now widely used within the private, public and NGO sectors.

The Balanced Scorecard is popular because of its perceived utility, and its essential simplicity - organisations develop Balanced Scorecards in the hope that they will provide a useful route to improved performance management within the organisation, they choose Balanced Scorecard over other methods because of the perception that the approach is 'straightforward' to implement and use. This popularity has attracted many academics and consultants to the field, and these in turn have written much about Balanced Scorecard and proposed a wide range of concepts that they believe will 'improve' the original idea: the majority of the ideas proposed relate not to Balanced Scorecard itself, but to the design methods and principles used to select the measure / target pairs it contains.

To fulfil its role, a Balanced Scorecard has to include the "right" measures and targets. Given the concise nature of the device (ideally less than 25 measure / target pairs, typically collected within two or more 'perspectives'), it is important to do this measure selection activity well; a Balanced Scorecard that contains the 'wrong' measures will not provide the information the organisation

# Surveying Balanced Scorecard Usage Cont..

needs, diminishing its utility markedly. 'Packing' the device with a broad selection of measures (to increase the probability that the right ones are chosen along the way) is not an efficient (or practicable) option. As a result, from the earliest days Balanced Scorecard has been defined as much by the way in which the measures are chosen, as by the specific structure of measures / targets it embodies. A wide variety of design approaches have been proposed and tested, each introducing variations in the resulting form of the Balanced Scorecard produced - with these variations affecting both the form and intended function of the device: as a result, today the term Balanced Scorecard refers to a broad spectrum of performance management devices.

Since it was founded in 1999 2GC has paid close attention to its own practical experiences and various literature sources with the aim of improving its own understanding of Balanced Scorecard and its associated design methods. At various times 2GC has attempted to consolidate its understanding through short papers published in various fora (e.g. at PMA Conferences through the 2000's). During the development of these papers we noted that despite the wealth of original ideas being contributed to the field, there is relatively little information on how these ideas were being taken up by organisations, and whether they were able to deliver the intended for improvements in Balanced Scorecard utility. The 2GC Balanced Scorecard Usage Survey collects information that is helping to fill this gap.

## **What are the aims of the 2011 survey?**

The 2009 and 2010 surveys have provided some interesting glimpses of how Balanced Scorecard is being used: for example the 2009 and 2010 surveys give insights into how often Balanced Scorecards are used (most on monthly or quarterly basis), what they are being used for (strategic management, operational management, monitoring and evaluation of past performance, and the payment of incentives), and how they are thought to influence organisational performance (primarily by changing the activities and behaviours of the managers that use them). Much of this could have been conjectured: the value of the survey is perhaps not in revealing unexpected results, but in testing the validity of existing suppositions.

For the 2011 survey, the team has made some minor changes to the survey questions, to find out more about how Balanced Scorecards fit within organisations, both in terms of distribution (where there are more than one), and how they are related to existing structures and processes within the organisation. We are also very keen to extend the distribution of the survey as far as possible.

## **Thoughts about the future**

Although 2GC has actively sought co-operation and support for the survey, to date these requests have not met with much success. But we are hopeful that over time we will be able to persuade others outside of 2GC to become more involved in the survey activity: the PMA community for example contains many who could make a valuable contribution to the work.

## **A call to action!**

If you work with Balanced Scorecard we would be very grateful if you could find the time to complete the 2011 Balanced Scorecard Survey questionnaire - you can do this either online or by downloading a questionnaire to complete and mail / fax back to 2GC. More details can be obtained the survey page of the 2GC web site: <http://www.2gc.co.uk/survey>. If you are interested in getting involved in the planning of the 2012 survey, contact the survey team via the link on the same survey page on the 2GC website.

Gavin Lawrie // 2GC Active Management

# Strategies to Replicate Asian Innovation

**Strategies to Replicate Asian Innovation using Venn Diagrams and MIT Professor Noam Chomsky's model of Transformational Grammar, The NLP Meta Model and EBS Gap Analysis**

*Andrew Moreno*

**M**any news stories in the global media have highlighted the emergence of Asia, especially during this period of global financial crisis. Such stories have outlined the apparent productivity gap between Asian and European and US organizations, measured by rising trade deficits and currency reserves.

In the past, financial crisis were viewed by various countries' citizens in a negative light, however many entrepreneurs saw recessions and depressions as periods of renewal. According to Harvard University's Clayton Christensen industries renew by utilizing "disruptive innovations", technological or other advances that change the structure of industries. A study of history will most likely reveal that many disruptive innovations occurred in recessions or depressions, to be followed by boom periods.

In this paper Andrew Moreno will describe a model for replicating Asian innovation using Venn Diagrams and Noam Chomsky's Transformational Grammar and Linear Programming which can be viewed as a type of disruptive innovation that can help renew US, North and South American and European and African organizations.

## **Risk Management, Strategic vs Operational vs Tactical Curriculum Focus**

Many leading business schools have as part of their curriculum, risk management. Edinburgh Business School at Heriot Watt University has several courses related to risk management as part of their distance learning MSc and MBA programs which include, Strategic Risk Management, Project Management, Alliances and Partnerships, Strategic Planning and other courses. Often graduates of leading business schools are tapped to lead at major organizations.

Why is this the case when there are other graduates of business schools that often have apparently the same skillset. One of the distinctions apparent is the focus on strategic rather than operational and tactical skills in leading business schools such as Harvard and INSEAD, Cambridge, EBS and other Ivy League universities. Many universities have a focus on job ready skills, another term for operational and tactical skills, in their curriculum but have little focus on risk management or strategy.

## **Outsourcing to Asia and Operational/Tactical Skills**

Outsourcing is a term increasingly referred to in European and US media as having a detrimental effect on their respective economies. News stories highlight the moving of US and European jobs to Asian countries by corporations to reduce costs. Many observers see this as reducing the middle class with no apparent benefit in return. Many MBAs or graduate students who were once hired by European and US corporations are now competing with Asian graduates that also have MBA's and graduate degrees who can be hired for much less financial expense.

However implementing outsourcing from US or European organizations to Asia is usually an operational or tactical decision. Someone makes those decisions in a C-Suite or board, however when they make those decisions, it is usually not from a operational or tactical focus, it is usually a strategic decision focus.

## **Gap Analysis**

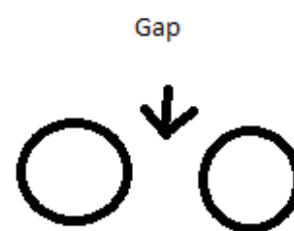
In EBS courses one of the ideas presented is the concept of the Gap Analysis. Gap Analysis is the

## Strategies to Replicate Asian Innovation Cont...

identification of the apparent gap between an organizations' goals in relation to where they are and where they want to be in the future.

### Gap Analysis and Venn Diagrams

We can visualize the Gap Analysis in terms of Venn Diagrams. Venn Diagrams are used usually in management curricula to visualize probability but they can be used to visualize Gap Analysis. They are a type of logic and discrete mathematics. They were developed by John Venn who studied at Caius College, Cambridge University. This is a gap - a picture of two circles. The circles represent constraints of goals.



### MIT Professor Noam Chomsky's Transformational Grammar, the NLP Meta Model and Indo European Languages and Gaps

Noam Chomsky at MIT developed a model of language called Transformational Grammar, as described in his book "Syntactic Structures". Later Dr John Grinder and Dr Richard Bandler developed the NLP Meta Model using elements of Transformational Grammar. Transformational Grammar is a model that describes language as surface structures, transformations, reverse transformations and deep structure.

Languages like English or other Indo European languages except for the Basque language according to John Grinder, have this structure. A surface structure is equivalent to an ordinary sentence. The deep structure is the meaning of the sentence as understood by the speakers or listeners of a language. The transformations are the set of rules applied to the deep structure to create the grammar of a sentence. Many different sentences can describe the deep structure, the transformations enable this, they are usually instinctively known by speakers of a language who calculate sentences that describe the deep structure.

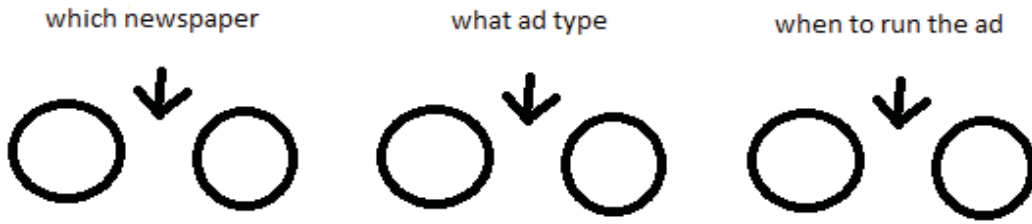
The NLP Meta Model was developed because the NLP developers, Dr Bandler and Dr Grinder, had the insight that by using reverse transformations one could recover the deep structure of a sentence. The NLP Meta Model accomplished this, it is a set of questions that, when applied to a sentence, could recover the deep structure.

The questions act as reverse transformations. Originally the NLP Meta Model was used to recover the deep structure in persons with limiting language, however it soon was sought after as a solution in business applications such as coaching as coaches were often asked to help business clients have more choices. Usually when the meta model is learned by people with limiting choices they expand their range of choices.

After studying the NLP Meta Model and NLP with Dr Lloyd Flaro, Dr Richard Bandler and UK/ Canadian NLP Master Trainer Harry Nichols, Noam Chomsky's work and the EBS MBA course texts, as well as participation on the Cranfield/Cambridge Performance Measurement Association, Andrew Moreno, an NLP Practitioner had the insight that the NLP Meta Model could be used to describe Gap Analysis.

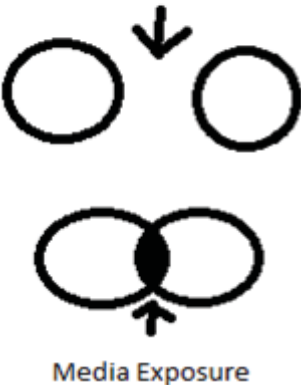
### Marketing Gap Allocate expenses to a newspaper

The gap can be described as an either/or sentence, this is that an expense can be allocated to pay for a newspaper ad. There are several gaps here. According to the meta model's concept of either/or presuppositions we can identify the either/or gaps, which could be, the gap related to which newspaper to choose, the gap related to what ad type to use, the gap related to when to run the ad.



which newspaper  
what ad type  
when to run ad

**NLP Meta Model and Strategic vs Operational vs Tactical**



To think operationally or tactically, a manager would normally make these decisions on the allocation of resources or to expense. However to think strategically one would ask, "what is the goal of the expense?" or "what is the goal of the resource allocation?" Using the NLP Meta Model the goal of the expense or resource allocation in this area of marketing would be media exposure. The actual media exposure would be the deep structure of the goal. So by application of the Meta Model and Venn Diagrams one could be more creative in achieving the goal by using the questions or reverse transformations.

**Indo European Languages, Verb Tenses, Auditing, Transformational Grammar and Rates of Change**

Indo European Languages usually have as part of their sentence structure, verb tenses. In auditing or legal applications tenses are very important. Andrew Moreno recalled how at a BC Securities Commission hearing one of the commissioners questioned when a party of a BCSC action knew a material fact and in what context. In auditing, the tenses determine an audit trail that can be uncovered by utilizing questions. Tenses are usually also past, present or future related.

However Indo European languages are not as widely used in describing rates of change. Dr Forrester at MIT developed system dynamics to address this limitation. System Dynamics is a field of study related to the description of natural and theoretical systems in terms of rates of change and feedback. Many performance dashboards use system dynamics concepts to describe organizational performance.

**Asian Languages, Indo European Languages and Rates of Change**

Asian languages are well suited to describe rates of change. They usually consist of pictograms. Pictograms are more suited to describing rates of change, however they probably lack the verb tenses of Indo European languages. Also, Indo European languages have rules limiting the use of run-on sentences or multiple sentences linked by the word "and". Speakers of Indo European languages often are taxed to mentally remember large numbers of multiple sentences however speakers of Asian languages can probably remember multiple basic pictograms as a pictogram can be used to summarize a sentence or a sentence describing a rate of change. Asian languages can also add pictograms usually to strings of pictograms, anywhere in the string of pictograms. Speakers or writers of Indo European languages can not do this as easily because they have to ensure that the new sentence resulting from adding a sentence fragment still "makes sense".

## Strategies to Replicate Asian Innovation Cont...

### Venn Diagrams and Asian Languages

An often used example is the pictogram for crisis, the combination of danger and opportunity pictograms. We can visualize Asian Languages using Venn Diagrams,

### Asian Innovation, Hybrid Indo European/Asian languages and Venn Diagrams

Many observers question how Asian organizations can innovate and at such low cost. In Canada for example, raw timber is increasingly being shipped to Asia for higher value added manufacturing. Often Asian innovation is attributed to a focus on hard work. Andrew Moreno believes that it is based partly on the Asian languages structure. Innovation can be described in terms of Venn Diagrams and the process replicated. For instance, if we think of an innovation like playing music,

- We have a song created by an artist
- We also have a memory card for a computer
- So the gaps would describe a system for playing music on a computer
- The innovation could be - a CD player, a digital recording device or other innovations.

Utilizing Venn diagrams here is how this would be described as the diagram to the right:

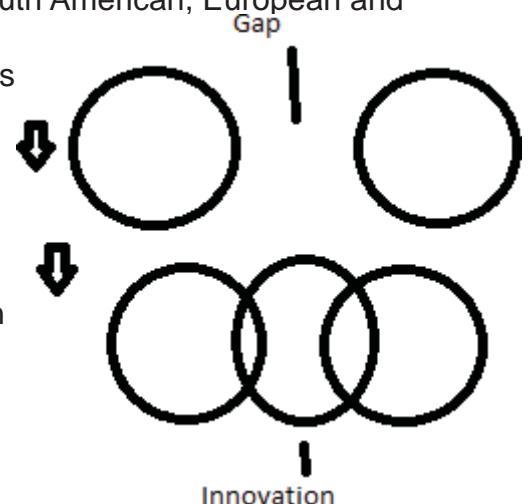
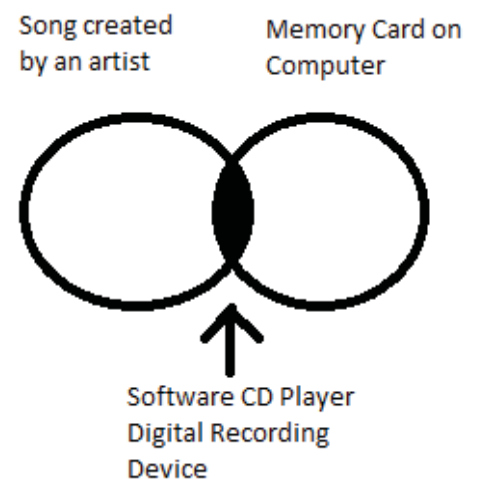
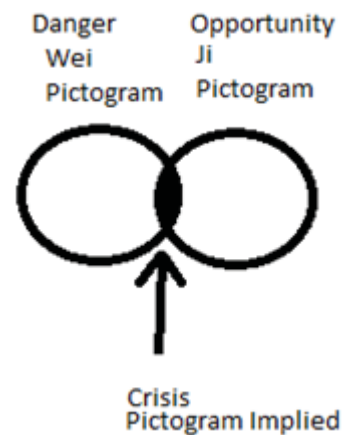
The gap is the precursor to the innovation. The innovation, when invented, bridges the gap. Indo European languages, when used in the future tense, can help identify the gaps, before they are bridged by inventions. Many futurists use future tenses, however through use of the NLP models such as the NLP Meta Model one could learn to use past, present and future tenses with equal ease. Presuppositions, as used and codified in the NLP Meta Model can help model implied innovations.

Hybrid Indo European/Asian Languages using Venn Diagrams, if used with the NLP Meta Model in educational institutions, can help increase North/South American, European and African innovation to match Asian innovation and bridge the apparent productivity gap. This model has applications across industries and across cross functional areas. It also acts as the basis of a predictive model of future industries in the developer, Andrew Moreno's, opinion.

### Formal Methodology using Linear Programming

There is another way to represent the gap and the innovation - see right;

The NLP Meta Model identification of either/or presuppositions can be quantified by using Linear Programming. The constraints in a linear programming equation can be mapped to the either/or presuppositions





identified by the NLP Meta Model. Linear Programming is a type of quantitative mathematics used in the Edinburgh Business School MSc program at <http://www.ebsglobal.net>. If we construct a linear programming equation with two variables, such as that used in investment management, the problem statement would be:

- Identify the allocation of \$1.0 million
- to a stock fund -  $x_1$  and a money market fund -  $x_2$ .
- Each unit of the stock fund costs -  $x_1$  - \$50 and
- each unit of the money market fund costs -  $x_2$  - \$100,
- Also the investment must result in annual income of at least \$50 000.

Equation 1  $50x_1 + 100x_2 \leq 1000000$

The stock fund produces an annual rate of return of 10% or  $0.10 * x_1$  or  $0.10 * \$50$  or \$5 and the money market fund produces an annual rate of return of 10%. or  $0.10 * x_2$  or  $0.10 * 100$  or \$10

Equation 2  $5x_1 + 10x_2 \geq 50000$

So using the graphical solution we can find the values of  $x_1$  and  $x_2$  by setting each to zero sequentially and putting the values on a graph;

For equation 1;

$50 * 0 + 100x_2 \leq 1000000$ ,  $x_2 = 10000$

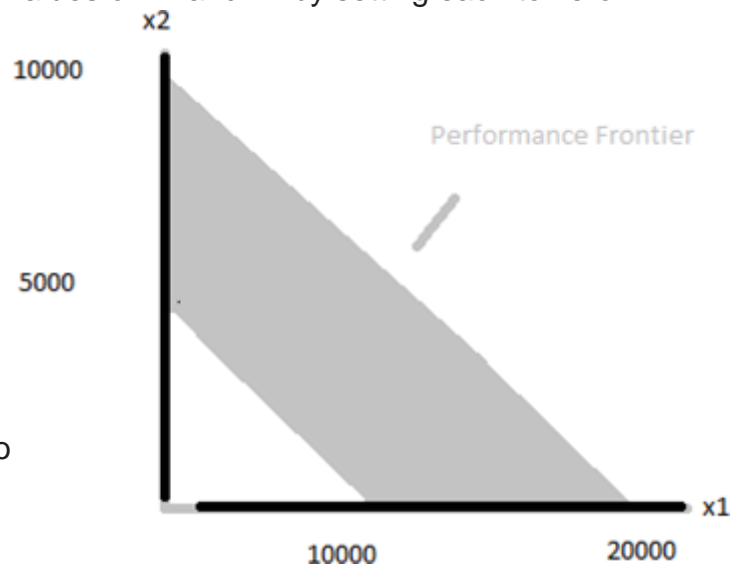
$50x_1 + 100 * 0 \leq 1000000$ ,  $x_1 = 20000$

For equation 2;

$5 * 0 + 10x_2 \geq 50000$ ,  $x_2 = 5000$

$5x_1 + 10 * 0 \geq 50000$ ,  $x_1 = 10000$

So to visualize this using the linear programming graphical method, see diagram to right.



Using linear programming combined with Venn diagrams can we quantitatively describe either/or presuppositions? Yes. If you think of the process of setting each variable,  $x_1$  and  $x_2$  to find the solutions to the linear programming equation, this process of setting to 0 is equivalent to taking on one side of the either/or presupposition.

For instance, the variable  $x_1$  corresponds to the stock fund, and the variable  $x_2$  corresponds to the money market fund. If we set  $x_1$  to 0 and solve for the value of  $x_2$  in the equation, we are effectively choosing to allocate funds exclusively to the money market fund. This is effectively a choice between an either or presupposition. If we set  $x_2$  to 0 and solve for the value of  $x_1$  in the equation, we are effectively choosing to allocate funds exclusively to the stock fund. So to visualize this using the linear programming graphical method and Venn diagrams:

The double circles represent a choice of one variable over the other. The chains of circles on the performance frontier show that the bridge moves toward the side with the variable chosen and vice versa. This raises the question of what innovation or bridge is equivalent to the middle circles in the circles on the performance frontier? The answer is that the innovation or bridge is the trading system used, whether automated or discretionary that invests for a rate of return or provides liquidity.

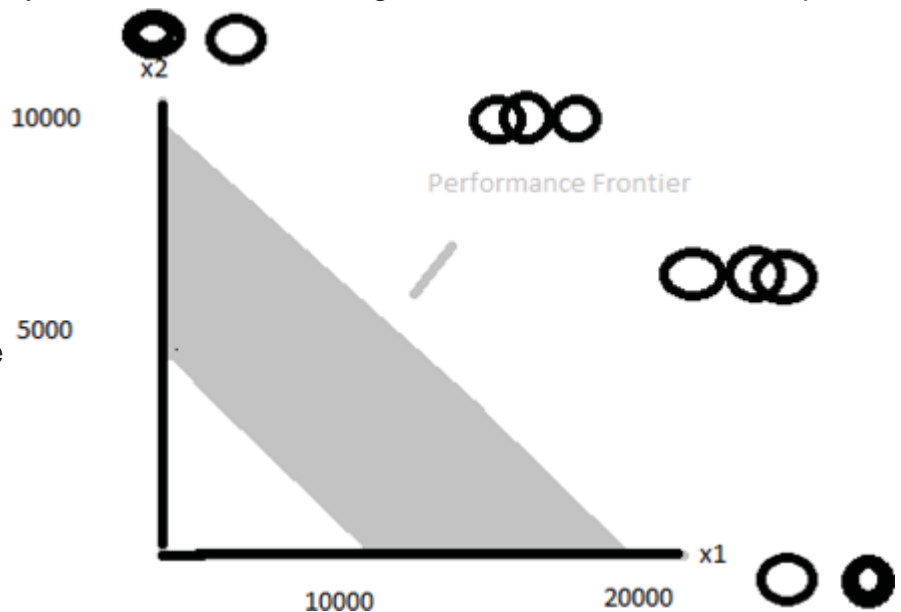
## Strategies to Replicate Asian Innovation Cont...

Investing for a rate of return is equivalent to risk transfer, which can be described using Venn diagrams as above. If we think of setting each variable to 0, this is equivalent to making a choice on allocation of resources. However because an exclusive choice was made some risk is transferred or created. This transfer or creation of risk if aggregated by multiple parties creates systemic risk which can cause governments to step in and mitigate that risk if the risk reaches past a certain level.

An example would be the current financial crisis where governments bailed out banks because of the systemic risk that was created by banks exclusively or preferentially investing in one asset class over another asset class. Many banks were overleveraged in CDS securities and subprime mortgage securities.

So what is the solution? A solution in this case would be to have a balanced mix of allocation to money market and stock funds. This can be found by following the performance frontier to the middle of the performance frontier where it is distant from each of the variables,  $x_1$  and  $x_2$ .

Performance frontiers are a term used in Data Envelopment Analysis, which is a type of Linear Programming. However it is important to note that there are multiple variables involved in many systems and this requires calculating the solutions to linear programming equations with many variables. This can be accomplished with the LP Simplex method or Gaussian elimination. The graphical method only works for 2 variables usually as many people find it difficult to visualize in more than 2 or 3 dimensions.



### Implications for Performance Measurement

By using DEA or Data Envelopment Analysis, we can measure the performance of various entities on the performance frontier. By using linear programming we can quantify the effect of assigning values to the variables and find optimal solutions. By using ideas from DEA, LP, Venn Diagrams and the NLP Meta Model and Gap Analysis we can quantitatively develop solutions to problems that involve many variables and calculate their efficacy and consciously choose to avoid imposing gaps on stakeholders or either/or presuppositions. We can choose to find the balance that can benefit the most parties that are affected.

This model can give insight on government policies that seeks solutions to intractable problems that involve many gaps. It provides a quantitative model for government legislation to mitigate the risks involved in imposing gaps or taking on, as Professor Andy Neely of Cambridge University and his colleagues term, binary targets, which can be destructive. Choosing between either/or presuppositions can also be the setting of binary targets.

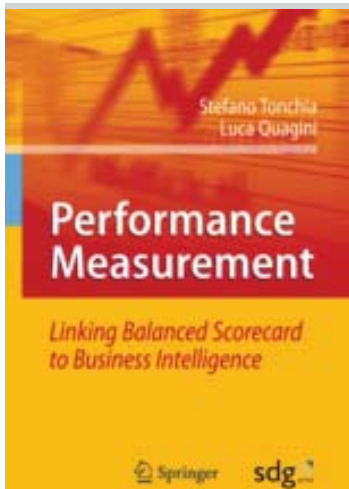
If we think of the performance frontier in the graphical solution of the linear programming equation, this describes a quantitative model for the value of interdependence as interdependence is needed to be near the middle of the performance frontier, as opposed

to being where one of the variables is 0, which is exclusivity and isolation. One of the values of democratic systems is interdependence. It also helps build the case for the teaching of hybrid language based solutions to global problems and problems before the judiciary and arbitrators and legislators.

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## New Book: Linking BSC to Business Intelligence



### PERFORMANCE MEASUREMENT:

#### Linking Balanced Scorecard to Business Intelligence

Stefano TONCHIA and Luca QUAGINI, Springer, Berlin & New York

Performance measurement is a fundamental part of business management: it allows you to learn from the past, to check where you are today (including competitors – called “benchmarking”), to plan where we want to go and manage this pathway. If the essence of management is to grasp the vital connection between drivers and performance, if strategy is goals and objectives plus the means to achieve them, we can truly say that we are at least half-way along this intricate journey. If we want to manage performance, we have to be able to measure it: you can manage what you can measure,

i.e. you cannot manage what you cannot measure! Then if we consider the fact that human resources are becoming an increasingly important factor, bearing in mind that people also behave according to how they are valued, we can fully understand the importance of the issue of performance measurement, in coordination (we need a watch to meet up!), their involvement and motivation (this is why most “games” have scorecards!).

Performance Measurement Systems – (PMS) may be considered as one of the most interesting managerial innovations over recent years, due to the fact that they pose as the important organisational-informative link between strategic planning and operational control. A PMS is also referred to as a management dashboard or Balanced Scorecard, the name of the renowned PMS model presented by Kaplan and Norton in their work in 1992. Nowadays, every company has one, more or less efficient, more or less formalised, integrated (also from an IT point of view) and more or less complete and efficient.

Before we go any further, it is a good idea to take a closer look at some of the core concepts of

## New Book: Linking BSC to Business Intelligence Cont..

these theories. A performance measure is the value assumed by an indicator (of performance). The performance will be ex ante an objective (of performance) and ex post a result (of performance). Not all indicators are performance indicators, only managerial variables which can be influenced by the decision-making/action process, at the beginning (during planning) setting goals and objectives, and at the end (during control) evaluating results. The measurement is a manufacturing process with the measure (or measures) such as output – measures of a thing, object or phenomenon, referred to as a “performance”. A PMS therefore includes elements as performance indicators which each assume a value and determine a measure; it also uses architectural specifications relating to the combination of the above mentioned indicators, further to the operationalisation of interfaces with other business systems (including management control, production management, and strategic planning).

The most innovative PMS are based on the concept of customer/user value, using economic-financial indicators as part of a vast system where performances on a range of different axes are compatible and cumulative, even from a medium-long term point of view; they are tightly related to company processes (and therefore using individual and group measures) and not only have evaluation purposes, as they now extend to cover incentive and involvement based aspects which, no longer simply aim to achieve specific standards but, above all, aim to pursue excellence and continuous improvement.

The success of the PMS was, and still is, fed and enhanced by all the new Performance Management and Business Intelligence technologies which integrate new reporting and planning systems, with decision-making support systems, Internet/Intranet portals which all combine to provide one unique environment (CPM “Corporate Performance Management”), which can be queried at a multi-dimensional level, analysed using interactive elements and navigated using multi-level “drill-down” systems. Performance Management and Business Intelligence need, on one hand, a major formal review of the processes involved in decision-making, and organisation in general, and on the other, the consistent and accurate availability of Key Performance Indicators (KPI). The KPIs are algorithms that process a series of information relating to a process, or a part thereof, producing a result which is a parameter that represents the trend or a significant component of the causes which determine the same.

The first part of this book – written by Stefano Tonchia – analyses performances, their indicators, the measurement systems and the relationships with corporate strategy and organisational aspects. In particular, after an initial Chapter to introduce performance measurement, Chapter 2 goes on to cover “cost” performance indicators (financial, economic, productivity and efficiency, etc.) and Chapter 3 analyses “non-cost” indicators (quality, time and flexibility). The following Chapter illustrates the methodologies used by the PMSs and how to set them up within a company, their features, the most commonly used models etc.; Chapter 5 deals with the design and implementation of a PMS, the relations with the organisation (including the evaluation of human resources and the measuring of Intangible Assets) and strategies (including the management of performance improvement projects).

Part two of the book – written by Luca Quagini – thanks to the contribution by SDG Group – a leading European company providing Business Intelligence and Performance Management advice and services, indicated also by Gartner as one of the top operators in this sector – provides an introduction to the main PMS technological solutions (produced by colossal such as IBM, Oracle, SAP, etc.) and three case studies of exceptional importance operating in the manufacturing sector (Luxottica – the no. 1 company in premium, luxury and sports eyewear), the banking sector (with Monte Paschi di Siena - the oldest bank in the world) and the utilities sector (with Sorgenia).

[www.springer.com/business+%26+management/business+for+professionals/book/978-3-642-13234-6](http://www.springer.com/business+%26+management/business+for+professionals/book/978-3-642-13234-6)

# Public Sector Scorecard to Measure Performance

## Using the Public Sector Scorecard to measure and improve performance

Measuring and improving performance in the public and voluntary sectors is of vital importance in today's environment if services to the public are not compromised by arbitrary cost cutting. By ensuring that strategy and performance measures focus on delivering the outcomes that matter to service users and other key stakeholders, including value for money, the Public Sector Scorecard has an important role to play in this.

The Public Sector Scorecard (Moullin, 2002) is an integrated service improvement and performance measurement framework which extends and adapts the balanced scorecard to fit the culture and values of the public and voluntary sectors. In particular it has an outcome focus and takes into account the much wider range of stakeholders in these sectors. It also has greater emphasis on service and process improvement (incorporating systems thinking and lean approaches) and on organisational culture, risk management, and working across organisational boundaries (Moullin, 2009).

The Public Sector Scorecard (PSS) has three main building blocks - outcomes, processes and capability - see Figure 1. Although, as with the balanced scorecard, the titles of the various perspectives will vary according to the needs of the organisation, a typical application of the PSS has seven perspectives. The top three focus on

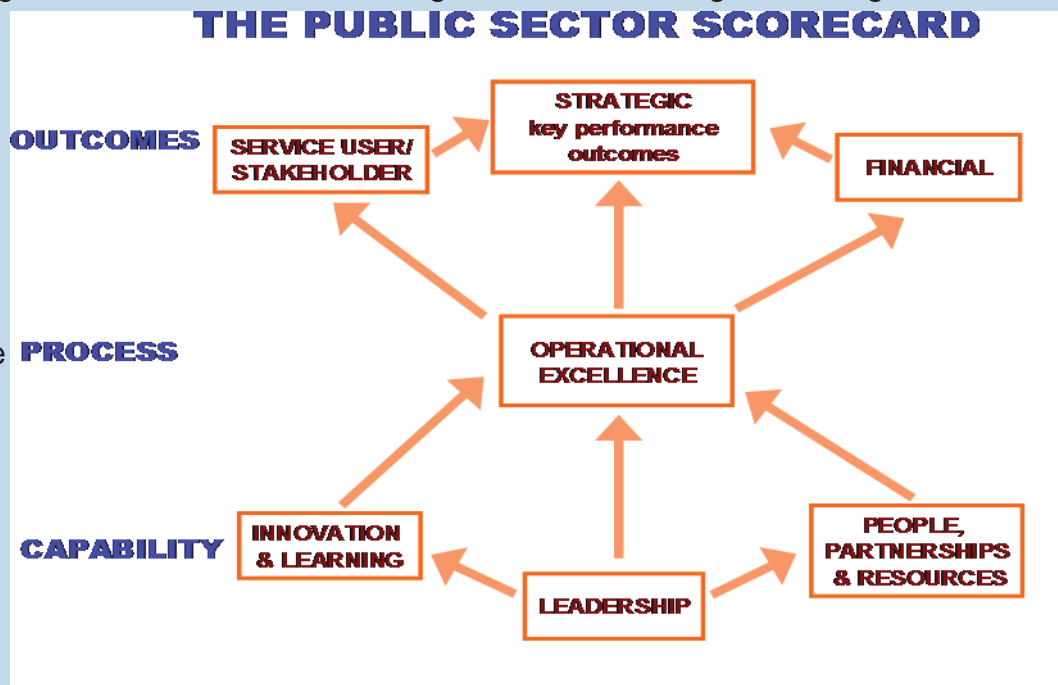


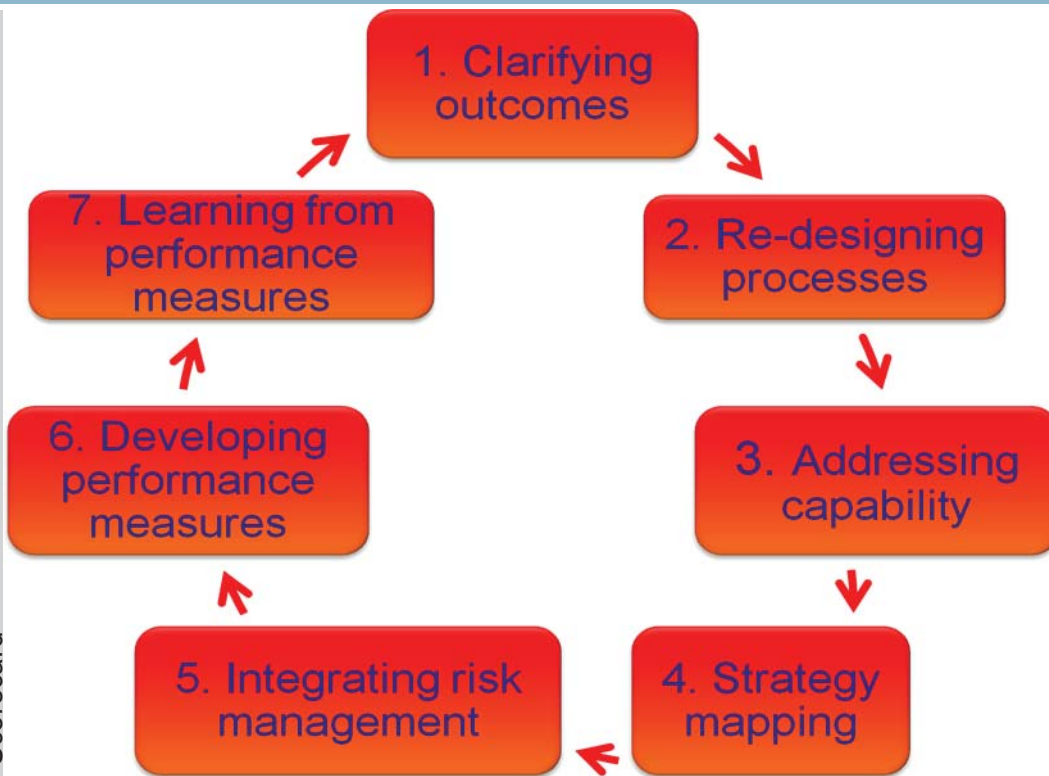
Figure 1: The Seven Perspectives of the PSS

outcomes: the key performance outcomes required by the organisation; the outcomes that matter most to service users and other key stakeholders; and financial outcomes which could include value for money and securing sufficient funding. The central perspective is operational excellence, reflecting the processes - and the outputs - required to achieve the various outcomes. Finally, three perspectives focus on ensuring that the organisation has the capability needed to support its people and processes in achieving the required outcomes. They include an organisational culture focussed on innovation and learning - rather than a blame culture - supporting and developing people, and partnership working - all underpinned by effective leadership.

A typical PSS project involves a number of workshops with a reference group including senior managers, staff, service users, and other stakeholders and has seven stages - see Figure 2. After clarifying the outcomes required, processes are examined to reveal innovative ways of delivering improved outcomes at low cost. Next the reference group will consider what needs to be done to address the organisational and capability issues that might prevent processes from working effectively.

## Public Sector Scorecard to measure performance cont...

Figure 2. Typical Stages in Using the Public Sector Scorecard



Like the balanced scorecard, the strategy map is the main intermediate output of the PSS. However while Kaplan and Norton (2001) define the strategy map as 'describing how shareholder value is created from intangible assets', with the Public Sector Scorecard it is described more simply as depicting the relationships between capability, process and outcome elements.

### Integrating Risk Management

Integrating risk management is another important stage - and one which until recently has been largely ignored by the balanced scorecard. To quote from an article I wrote in a previous edition of this newsletter (Moullin, 2006):

"Identifying and addressing key risks are essential for any high-performing organisation and therefore any evaluation of performance without considering risk is incomplete."

Arguably, lack of attention to this was the major cause of the banking crisis. Many people blame bonuses. However if the performance measures on which bonuses were based had incorporated risk factors, economic prospects in the world today would be very different!

The Public Sector Scorecard takes explicit account of risk by incorporating major risk factors into the strategy map. It does this by viewing the reduction of a risk as a desired outcome, while the processes involved in reducing the risk would appear under operational excellence. Ensuring that the organisation has a risk management capability – for example the absence of a blame culture and ensuring that the approach to risk does not stifle innovation – would appear in one or more of the capability perspectives.

Potential performance measures are then identified for each element of the strategy map, but then go through a filtering process to make sure that the measures themselves offer value for money. The final phase, learning from performance measures, includes establishing, where possible, which initiatives proved more effective and basing future strategy on the information obtained.

### Case Study - Sheffield Let's Change4 Life

Sheffield Let's Change4Life is a three year £10 million programme set up to reduce obesity in children and families, part-funded by the Department of Health. In using the Public Sector Scorecard to help manage and evaluate this programme, a key feature was the incorporation of the Theory of Planned Behaviour (Ajzen, 1991).

The Theory of Planned Behaviour recognises that people's intention to change depends on their beliefs on how important it is to make the change, their attitude and those of others around them to the change, their perceived ability to make the change, and overcoming the barriers that they face. Given that actions taken to reduce obesity can only work by children and adults changing their behaviour, it is important to address - and monitor the progress of - the factors that influence such change.



Figure 3. Strategy Map for Sheffield Let's Change4Life

The resultant strategy map is given in Figure 3. The first two rows show the main outcomes required for the project. The main desired outcome is to reduce obesity, while other key outcomes which will contribute towards this overall outcome include better diet and nutrition and increased physical activity. Satisfied stakeholders, sustainability and value for money are also key aims. The third row shows the Theory of Planned Behaviour outputs and outcomes in relation to changing people's behaviour, while rows 4 and 5 refer to the main desired outcomes and outputs of the eight strands of the programme. The penultimate row shows the main elements that need to be in

## Public Sector Scorecard to measure performance cont...

place to support the individual strands in achieving the desired outcomes, all of which need to be underpinned by effective leadership and support from the programme board.

The strategy map was used both to help managers and strand leads focus on the desired outcomes, and to monitor performance (Moullin, 2010).

### CONCLUSION

The Public Sector Scorecard is an effective framework for helping public and third sector organisations monitor and improve their services and focus on delivering desired outcomes including value for money. The incorporation of process mapping, systems thinking and lean management approaches ensures that service improvement and reducing cost are considered in relation to the outcomes required by service users. Furthermore it does not stop at processes - it addresses risk management and organisation culture and capability to ensure that staff and processes are supported in delivering the required outcomes.

Finally, by measuring performance on outcome, process and capability elements, the PSS enables managers and others identify where the organisation is making progress. It is consistent with the recommendation in the Darzi report that 'NHS services... will need to develop their own quality frameworks combining relevant indicators defined nationally, with those appropriate to local circumstances' (Darzi, 2008). Applications include central and local government and health services, mainly in the UK, but also in the Middle East and South Africa.

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# Human Potentials and Organization Development

I began to develop an interest in researching human potential topics when Roland Sullivan asked me to define organization development for a conference in Asia in February 2011. I found this opportunity was productive to pursue especially because OD is concerned with group dynamics, organization structure and organization culture. Because human elements are so unavoidable in the workplace it is necessary that we understand them very clearly. Human potential is defined as “the capacity for addressing challenges posed by the external environment in ways that achieve breakthrough performance”.

## Theory Y

Douglas McGregor, in *The Human side of Enterprise* (1960), explained that “Theory Y states that those people who see work as natural will be self-directing if they are committed to the objectives. The manager’s role with these people is to help them achieve their potential.”

I am using a simple model which uses four activities to explain effective leadership: directing, teambuilding, objectives, and processes. Every individual in a work group must be provided with clear processes to achieve the group’s objectives, through teambuilding to direct each individuals looking forward. Interestingly, McGregor believed managers can and should intervene with each individual to help them achieve their potential. One the manager’s skills is to motivate staff. Motivation can be very simple. Just saying “Thank you” to your colleagues can be very touching.

Most of the examples I face here in Malaysia are human-centered problems. Problems they face are not critical, but, most problems start with our language and generally lead to failures in effective communication; for example, interactions between colleagues are often marked by the use of foul language, negative body gestures, and the display of anger.

As a result, relationships among colleagues are can be very rocky and each distrusts the other. This results in failures to cooperate with one another. Work progress becomes very slow and, even worse, the conflict distracts from the original goals. In some cases, delays could cost the company a fortune.

There are many causes of dismay and distress among employees and they are not always immediately obvious. People can look very cheerful all day long but their mood can quickly swing from good to bad and then bad to worse. The company can be viewed as full of gunpowder that can be ignited by many reasons.

I view this problem is something which could be solved, or at least minimized. To solve this problem, first of all, I start from a systemic perspective, which is to say I start by diagnosing the system wide issue. Then, from a human perspective, I seek specifically to know each person’s expertise because much dissatisfaction stems from people’s unfulfilled talents demands. They think they are capable of performing certain tasks and they are very keen to contribute but, for various reasons, opportunities to do so can be quite limited.

## What is organization development?

I define organization development as follows:

“Organization development is a discipline, an intervention process at system level, managed from the top, focused on the liberation of human potential to achieve its optimum state in a planned changed system, using applied behavioral-science knowledge to create breakthrough results in the existence organizational performance, leading to a desired stage of organization excellence”.

How can OD be relate to human potential development? What can OD do?

## Human Potentials and Organization Development Cont..

Here there occurs to me a big question: “Why do people believe in education as a way of growing their capability? The return from most investments in education and trainings are intangible, yet, most people are so willing to invest. Let’s take an example by Yale University Learning Center.

Yale University is regarded as one of the world’s most prestigious universities. Many people believe by joining programmes at Yale, you were either already a genius or you would be a genius after graduating. Therefore, as a Yale graduate you would be highly respected by society at large.

Being ‘different’ in the society is very special. Yale OD consultant services are highly regarded as among the very best. I am curious as to what makes humans discover their talents through OD? What is the magic that OD can do with human potential?

To explore this question, I have to hypothesize that humans do respond to work systems created by OD consultants; either they feel better or worse. In other words, it is the structure in work systems systems that affect human potential. If someone feels very uncomfortable, they might refuse to cooperate; on the other hand, they might be willing to stay up late into the night.

Another popular place offering change leadership program is Columbia University. At the Teaching College, for example, there is a variety of courses led by the programme coordinator, Dr. Warner Burke. American executives are very welcome at Columbia’s short courses (i.e., two weeks long), and what is actually imparted by these programs, beyond the fact that they acquire the prestige of being Columbia University graduates? What other direct benefits do these participants gain? I hope to answer these questions in my next article.

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## 5 Common Practical Struggles with PM

The 5 most common practical struggles with performance measurement.

by Stacey Barr

**T**here are three reasons that I am confident these are the most common struggles people have with performance measurement. Firstly, my subscribers tell me. Many thousands of people have subscribed to my email newsletter, Measure Up. And when they do, they tell me their biggest question to do with performance measurement. Secondly, my clients tell me. Early on in my role as a performance measurement specialist I thought I needed to adapt my approach for each client, depending on their organization size, industry, culture, or their level of performance measurement maturity. But each new client would come to me with the same set of struggles, and still do. Thirdly, my annual subscriber survey tells me. I use that survey each year to find out what people are struggling with, and the responses confirm that the same basic struggles plague just about everyone who’s trying to make measurement more meaningful in their organizational business, whether they’re a CEO, or a strategy manager, or a performance measurement practitioner.

### **Struggle #1 is how to get started with performance measurement and KPIs.**

Not everybody knows that measuring performance is such an important part of managing a business or organization, even in this day and age we still have a lot of businesses and organizations that don’t even understand what measurement is about, and have no concept about why they would do it, or what impact it can have in their business.

Performance measurement still isn’t as integrated as management accounting or even strategic and business planning are in business practices. So, there’s often no successful path already laid

out to follow when people in a business or organization decide, “Well, we should start measuring performance.” This might be you, it might be your colleagues, it might be other people that you work with, but when people come to that point where they think, “Hmm, yeah. We really need performance measures. We’ve got to have some KPIs here that are going to help us”, the obvious first question is, “Where do we start?” or “How do we get started?”

It is easy to underestimate what’s needed for good performance measurement. And when we underestimate what’s needed for good performance measurement we end up creating more struggles down the line.

The idea when you’re getting started with performance measurement is to keep it simple and focused. Get started by practicing a deliberate approach to performance measurement. Don’t get started by brainstorming 100 KPIs for the whole business, or organization. That’s going to develop for you a whole lot of other struggles you’re going to have to deal with in the future, and you’ll end up with a lot of rework, because you’ll have too many of the wrong kinds of measures, not enough of the right kinds of measures, no alignment to strategy, people won’t buy-in, it will be hard to implement those measures, all sorts of problems happen when you try to do too much too soon.

So, the idea is when you’re getting started is stay simple and focused, and this could mean choosing just one business process and starting the measurement there. It could mean choosing just one corporate or strategic goal and getting good measures established for that goal. It could mean starting with a small team, maybe the marketing team, or maybe the maintenance team, or maybe the training and recruitment team, but starting very small and focused and really treating your first performance measurement implementation as action-learning. Implement a methodology, a deliberate one, and practice applying it. Learn, reflect, tailor the methodology and then once you’ve done that first implementation you can go a little bit more broadly then, and let it grow organically. For more information on this struggle, go to [www.staceybarr.com/howtogetstarted.html](http://www.staceybarr.com/howtogetstarted.html).

### **Struggle #2 is how to set meaningful KPIs and measures.**

Often people will find they may have a lot of KPIs or measures, but they’re not being used because no one really sees them as relevant or useful. That’s a complete waste we want to avoid. But also this can be a struggle for people when you have no idea how to measure your goals, especially goals that seem quite intangible, or qualitative. So setting meaningful KPIs and measures really has a goal of making sure that you’ve got relevant KPIs and measures.

The idea again is to take a deliberate approach to designing and choosing your measures. Do not brainstorm. Brainstorming is not a method to come up with good measures. Even though that’s what most people seem to default to. If you’re brainstorming you’re probably suffering those problems of not being able to come up with decent measures, measures that don’t align to strategy, measures people don’t have buy-in to. More often than not you come up with measures that can’t be implemented.

The idea with setting meaningful KPIs and measures it start with the results that the measures should monitor and then think in terms of finding the best evidence of that result. That’s the basic key, start with the result that you want the measure to monitor and then think about the measure in terms of what’s going to be the best evidence of this result. That’s really a very powerful key to measure design.

For more information on this struggle, go to [www.staceybarr.com/howtosetkpis.html](http://www.staceybarr.com/howtosetkpis.html).

### **Struggle #3 is how to get buy-in from people to measure performance.**

## 5 Common Practical Struggles with PM cont...

Usually there's a bunch of reasons why people won't use performance measures, or won't help produce the measures, or do whatever they can to manipulate the data so the measure always looks good. And these kinds of reasons include fear about what performance measures are going to mean for their personal situation. It may be their bonus, it may be their pay, or maybe their self-worth, or status. You know those things matter. Another reason could be that they're just cynical and tired of performance measurement failures that they've experienced time and again in the past.

Another big reason is they've got real work to do; they're too busy doing their everyday job, which is ironic really, because performance measures are about helping us do the right things each day. And, if we keep avoiding performance measurement because we've got too much to do, then it's probably a symptom that we really do need performance measurement, because we're doing too much. Usually we're doing too much because we're doing the wrong things.

You know you need buy-in before performance measurement is actually going to work the way it should. People need to be engaged in this process, and they need to see that measurement is feedback to help them improve processes. So, when you want to get buy-in from people don't push them. Don't mandate it. Don't force performance measurement into their performance agreements, or into the daily work that they've got to do, or sending them emails and demanding, "Where are the KPIs," "Come up with KPIs." Don't push. You take that push strategy and you just make the situation worse. That's all that happens.

Instead what you want to do is change the kind of dialogue that people have about performance measurement. And, that dialogue needs to explore questions about, "What does performance measurement really mean?" "Why do we measure performance?" "What benefits do we get when we measure the right things in the right way?" "What does good measurement look like?" "How does it blend into the work that we do?" "How have other people used performance measurement and what impact has it had for them?"

So having that kind of a dialogue really will help people reframe what measurement is about. And, you need to do that. You've got to start in people's minds before you start getting them doing performance measurement activities.

Once you've got them thinking differently about performance measurement the very next thing that you want to do as quickly as possible is give them a different kind of experience of measurement without personal consequence. If there's too much personal consequence the barriers go up and all those old behaviours that you don't want start coming back again, and measures fail to do what they're supposed to do. They're supposed to be tools to help people improve the work they do. They're not supposed to be rods for their back, to beat them up when they're not doing the job they're apparently supposed to do.

For more information on this struggle, go to [www.staceybarr.com/howtogetbuyin.html](http://www.staceybarr.com/howtogetbuyin.html).

### **Struggle #4, how to align KPIs and performance measures to strategy.**

Alignment basically means that the measures that you track, or the KPIs you track, are evidence of achieving the goals that comprise your strategy. It means that you're focusing on the measures that drive decisions and actions that help you achieve the goals that matter. It's very hard to get alignment unless you start with those goals, and that the goals you have are measurable.

Now typical goals aren't measurable. They're usually written with what we call 'weasel words', or they're written as a list of actions, not as results. So goals need to have two important qualities before they can be measurable, before you can get measures that align to strategy.

The first quality is they have to be written in plain English, not weasel words, not words like 'efficient', 'effective', 'productive', 'reliable', 'quality', 'accountable', 'engaged' 'sustainable', all those sorts of words. We love using them, but they really don't communicate much, and they have so many different potential meanings. You can't measure something that doesn't have a clear meaning, so plain English is the way to go with writing your goals.

Secondly, have your goals be results-oriented, not action-oriented. Your initiatives and strategies, the projects that you'll do to improve performance, that's where the action is. There's no point in having that unless you know the results or the end that you want to achieve, and that's what your goals should be statements of, the ends or the results that you want to achieve.

For more information on this struggle, go to [www.staceybarr.com/howtoalignkpis.html](http://www.staceybarr.com/howtoalignkpis.html).

### **Struggle #5 is where to find example KPIs and measures for your industry or function.**

It absolutely is reality that a lot of people have no idea what to measure. Often that means they don't have a strategy or clear measurable goals. And, you can't ever find the right things to measure, unless you know the results that really matter most, which is what your strategy is supposed to articulate.

But when you want to find the right measures and you're looking for measures off the shelf, so to speak, when you just go somewhere and look at a list and pick out the measures you like be careful because you're assuming that someone else knows the answer for your business, and that's not always the case.

Warning, warning, warning! You can't go searching for KPIs unless you're clear about what the goals are that you're trying to get measures for, almost to the point where you've already got some ideas about what the potential measures would be. And, that's really what you're doing when you go searching through KPI databases, or the KPI columns in other businesses' strategic plans, you're looking for potential measures.

You can't assume that because someone else is measuring it you've got to measure it as well. Your measures are a unique expression of your strategy and your strategy is a unique expression of where your organization or business is going to go.

A set of measures are very unique to each individual business or organization. So, don't go trolling through KPI databases. Start with the results that matter most to your organization, which should be your strategy, and only after you've gotten really clear about the performance results, then you can go looking for potential KPIs, or measures, and I repeat: potential. You want to be able to get that list of potential measures and shortlist them so that you've chosen the measures that are best for you.

For more information on this struggle, go to [www.staceybarr.com/howtogetexamplekpis.html](http://www.staceybarr.com/howtogetexamplekpis.html).

### **Are there only 5 struggles? Actually, no.**

From my personal experience and research, there are 10 very common struggles that people seem to consistently have with performance measurement. And you can learn more about them all by listening to a free audio class, "Your Top 10 KPI Goals: Practical Tips to Achieve What You Want In Performance Measurement", at [www.staceybarr.com/yourtop10kpigoals.html](http://www.staceybarr.com/yourtop10kpigoals.html).

# A Lean Disturbances Assessment Tool

## A Lean Disturbances Assessment Tool for Improving Manufacturing Systems Performance

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Over the last few years, lean thinking has proven to be a well-established way to deliver sustainable improvements throughout an organisation. It can bring about quantifiable increases in productivity, efficiency and quality and help to make a company perform better. The lean manufacturing shifted the focus of the manufacturing engineer from individual machines and their utilization, to the flow of the product through the total process. As James Womack [1] mentioned: "The development of lean thinking in the past has often been labeled the tool age, but to make lean deliver its full benefits, companies must move beyond that into the age of lean management".

Since Lean thinking and management nowadays is understood as a systems approach rather than a set of tools used to solve problems of manufacturing, the main aim of this work is to develop manufacturing companies understanding of the disturbances that adversely affect lean manufacturing, in particular, its application in low-to-medium volume high technology production environments, and to provide analytical tools to enable managers to analyse, plan, implement and troubleshoot the Lean enterprise organisation. The adverse effects of these disturbances are major that can stop the organisation continuous flow of work, reduce its reputation and affect its long-term success in a fierce competitive global market. Hence, a methodology or a tool that can early predict and identify the sources of disturbances and give insight into efficient set of course of actions is paramount.

From another wider perspective for covering the shortage in literature of finding a numerical disturbance assessment tool, and in pursuit of perfection as required by all lean definitions, this work focuses on:

- 1- identifying possible sources of disturbances that affect the manufacturing process;
- 2- specifying numerical values of impact of those disturbances on the overall performance of the company; and
- 3- recommending courses of action for remedies of those disturbances.

For achieving this aim, this work describes how a lean disturbance assessment tool - developed by the author at the University of Nottingham as an outcome result of research study - can assist manufacturing management in understanding and responding to major causes of performance loss in lean manufacturing systems. The tool proposes a reliable visualization method by which management can compute numerically the overall value of impact of their system disturbances and offer them reliable course of actions to improve, modify and/or eliminate the reasons causing these disturbances. The procedure of this tool is explained in the next sections.

### **Sources of Disturbances in Manufacturing**

Lean thinking and management is a systems approach that uses tools but with the people as drivers of these tools. Therefore, in order for Lean implementation to have true economic and organisational benefits, the improvements must focus on improving the whole process including employees (the internal focus) and on customer satisfaction (the external focus). This would result in optimisation across the entire process rather than optimising locally (i.e. by section or by department, etc). For implementing the lean concept in manufacturing, there are several sources of reference for practitioners that demonstrate the applicability of lean to the manufacturing community in general (for example see [1], [2], [3], [4] & [5]). For the purpose of this work, a disturbance is

defined as “a change occurring internally or externally to a production system, which can affect the full realisation of lean manufacturing performance, and is either outside the control or has not been planned by the system” [6]. This definition focuses on individual production system performance to unexpected disturbances or disturbances that, although foreseeable, are not catered for by the system. These disturbances can backfire on the part initiating the problem or the signal of disturbance. Examples of disturbances may include unplanned maintenance, temporary capacity constraints due to order mix, people absenteeism factors, tools/fixture unavailability, frequent (minor) changes to order schedules, and expediting activities, changing order priorities, supplier failures and machine breakdowns that, if not managed, will affect manufacturing system performance.

From analysis to the current literature and based on industrial questionnaire survey done by the research team, two main factors that can promote disturbances signals were realised. These were; internal factors, caused by self-induced lack of process control, and external factors, caused by supplier or customer, dependent on value chain position. Responses from experts regarding the sources of disturbances in manufacturing were categorized and grouped under six main heading: three internal factors including; people issues (employees and managers), technology issues and transaction processes issues and three external factors including: material supply issues, customer demand issues and new product introduction issues.

### **A Lean Disturbance Assessment Tool - The Methodology**

In order to achieve an improved understanding of disturbances issues and their effects on the performance of the manufacturing organisations, a computer-based lean disturbance assessment tool is recommended. The Lean Team at the University of Nottingham had evaluated the potential of such a tool and specified the requirements associated with it. The proposed method integrates two cause and effect methods commonly used in reliability studies for diagnostic and remedial purposes to enable appropriate responses by managers to impacts of disturbances. The first method: is a qualitative Fish Bone (FB) [7] method with its Fish-Bone diagram (FBD) used primarily as a diagnostic approach where factors causing disturbances in manufacturing industries are categorised under two main headings: Internal Factors and External Factors. Within each factor and through an extensive survey questionnaire developed for getting data from real industrial experts a number of causes are to be identified. These causes are then to be presented as headings of sub-fish bones on the main fish bone diagram (see Figure 1). For each cause or sub-fish bone, reasons leading to this cause (supplied by experts) are to be displayed on each sub-branch. The reasons leading to those causes are classified as common causes (those that appear frequently and that the company is almost aware of) or special causes (defined by being infrequent but have large disturbance impacts) with their impact values (between 1 - low impact and 5 - high impact) as given by the experts in the sent questionnaire. The main fish bone is then completed with all its sub-fish bones for both factors. Figure 1 shows the two main factors with all sub-fish bone headings and their sub-divided reasons, as collected from the survey.

The fish bone does not give enough information about the severity and intensity of each signal disturbance reason and its impact on the overall manufacturing disturbance as it is not designed to allow any calculations to be interred on its branches. This limitation can be overcome by employing the second cause and effect method: the Fault Tree Analysis (FTA) [7], [8] & [9] with its Fault Tree Diagram (FTD), which can be used both qualitatively to present the causes quantitatively for calculating the overall impacts of each cause. As shown in Figure 2, the impact

## A Lean Disturbances Assessment Tool cont..

of each sub fish bone cause is to be calculated through the corresponding sub fault tree using the additive and multiplication rules used in fault tree analysis based on the individual values of impact of all reasons on each sub fish bone. These calculations are then transferred to the main fish bone, where a corresponding overall fault tree diagram calculates the total impact of both factors (internal and external). These values are then to be presented on the main fish bone diagram (FBD) as shown in Figure 1. Managers can use this tool to interpret the severity of each cause and the type of factors contributing most to the overall disturbance in their manufacturing organisation. Accordingly, a reasonable remedial action plan for each sub fish bone (i.e. cause and its detailed reasons) can be proposed and implemented within a timeframe set by management until an acceptable level of disturbances in their manufacturing systems is reached.

### Presentation and Application of the Tool

Figures 1, 2 and 3 show some snap shots on how the Lean Disturbance Assessment Tool is developed and show its interactive use with Excel sheet that work as an interactive database to the whole program. From the diagram of Figure 1 and based on analysing the pool of values given from the industrial experts, it can be seen that the Internal factor total impact is calculated as 52.2% resulted from “People” impact of 9.22%, “Technology” impact of 14.4% and “Transactional Processes” of 38.4%. However, the External factor total impact is calculated as 61.1% resulted from “Material Supply” impact of 28.4%, “Customer Demand” impact of 35.5% and “New Product Introduction” of 20.0%. Both values when aggregated using the FTD calculation produce a high value of 81.5%. This assumes that that managers did not focus on the appearance of both factors (i.e. series or simultaneously relationship between both factors - the worst-case scenario) or a value of 31.8% disturbance assuming that managers have realised their existence and focused on both factors together (i.e. parallel or concurrently relationship – the best-case scenario). The best-case scenario assumes that it is unlikely that both factors will happen simultaneously and that managers are still in control of their business processes. However, the worst-case scenario indicates a bad performing organisation and managers need to be alert of any factor to happen. Apparently, also managers have to focus on improving the “Transactional Process” cause for the internal factors with impact of 38.4% and the “Customer Demand” cause of the external factor with impact of 35.5% and attempt to resolve them as they give the highest value of impact in each case. Next, managers have to inspect other causes of each factor in sequence of their impact values. Thus, they have to inspect the “Technology” cause (14.4%), followed by the “People” cause (9.22%) in the internal factor. In the external factor, they have to inspect Material Supply cause (28.8%), followed by “New Product Introduction” cause (20.0%). After making the necessary quick remedial actions, the process is repeated until an acceptable overall impact value accepted by the company is reached.

For continuing the analysis and explaining the calculations, the internal factor 52.2% total impact is calculated from a separate FTD where all factors are dealt with assuming that if any one cause happened then the flow of the work will be affected and may be disturbed. The three causes leading to the internal factor were computed from their corresponding reasons (defined by experts) and presented on each corresponding FTD. As an example, Figure 2 shows how the “People” cause and its 9.22% impact is calculated on its corresponding FTD based on the severe assumption that all reasons have to appear in order that it can reach an impact of 9.22%. Management then have to inspect why “People” impact is 9.22% and see which of the five listed reasons contributed most to produce this value. Figure 3 shows a recommended action table showing that both ‘training’ and ‘industrial disputes’ reasons contributed with 4 out of 5 (i.e. 80%) impact value. Hence, management should focus their efforts to resolve these problems while also attempting to reduce the other three reasons (sickness - 40%, holidays - 60% and accidents - 60%) and then repeat the process where



these values should be reduced leading to improvement in the “People” issue cause. By repeating the same process for all other causes and their individual reasons for both the internal and external factors, the whole disturbances factors will reduce leading definitely to reducing their total impact value and improving the performance of the manufacturing systems.

**Practical Implications of the Proposed Lean Disturbances Assessment Tool**

The ultimate benefit from this developed systematic, structured and diagnostic decision-making lean disturbance assessment tool, based on expert opinion and industrial survey in different manufacturing companies, can be seen in providing an early warning system for managers of the areas (factors) of disturbances and their different causes (common or special). Additionally, a dynamic course of action list can be developed for all parties, departments and sections of the organisation that can make a holistic methodology to eliminate the disturbances occurring and achieve quick and reliable performance level that satisfy the stakeholders of the organisation internally and reflect with positive effect on their relationship with their customers on the external level. Not only this tool gives a numerical presentation of the disturbance problems, but most

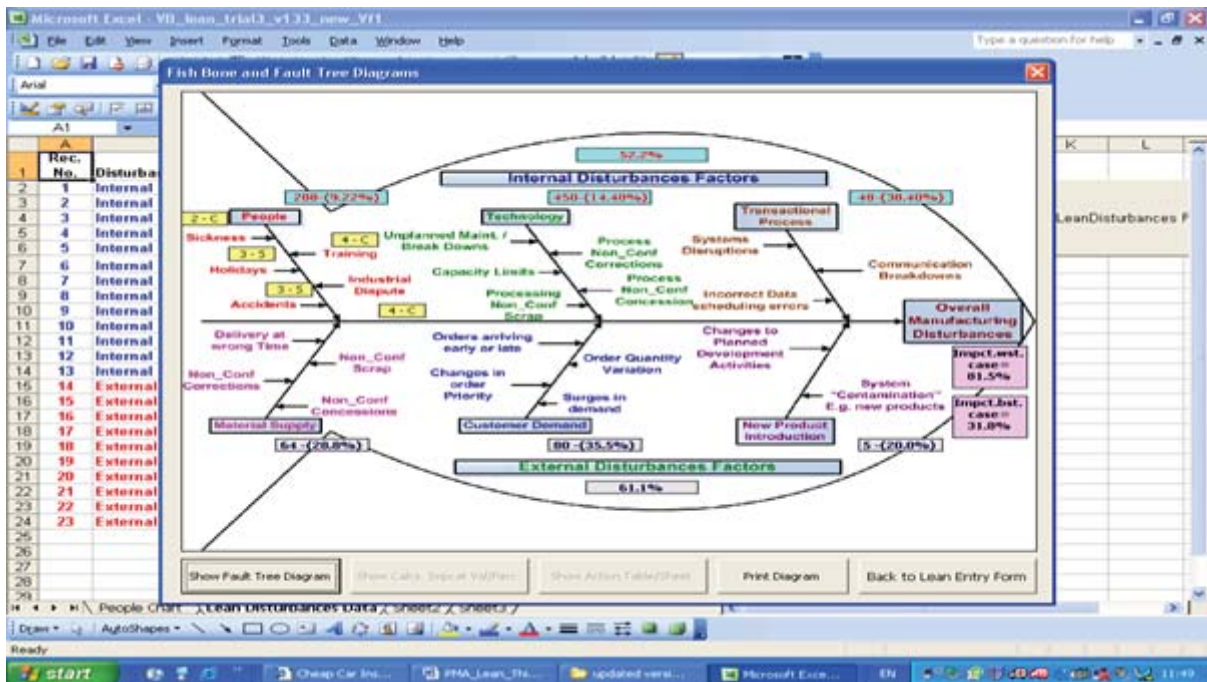


Figure 1: Snap shot of the Fishbone Diagram showing Manufacturing Disturbance Factors and Their Impact Values

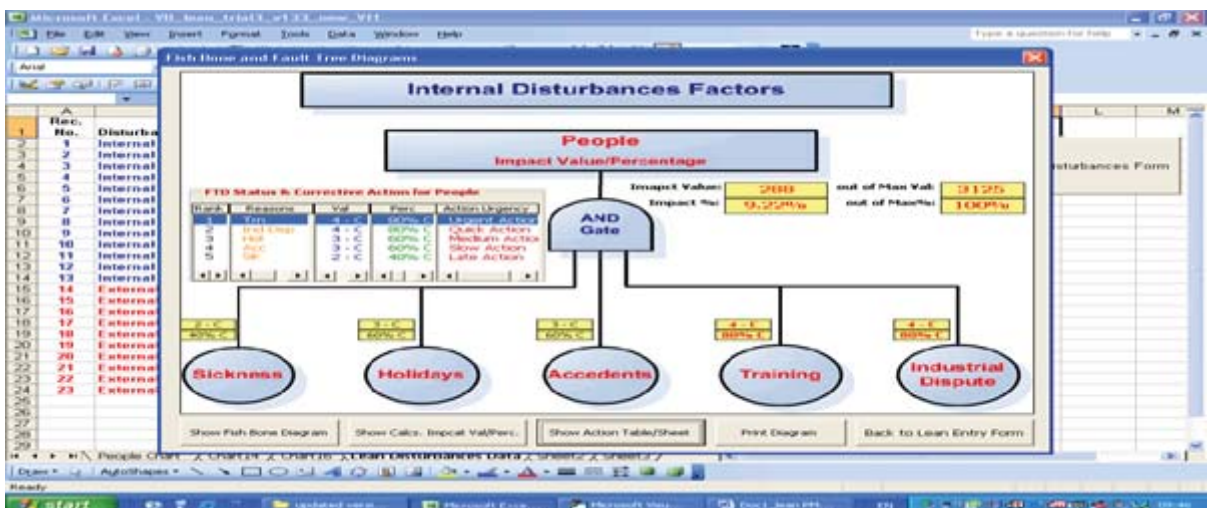
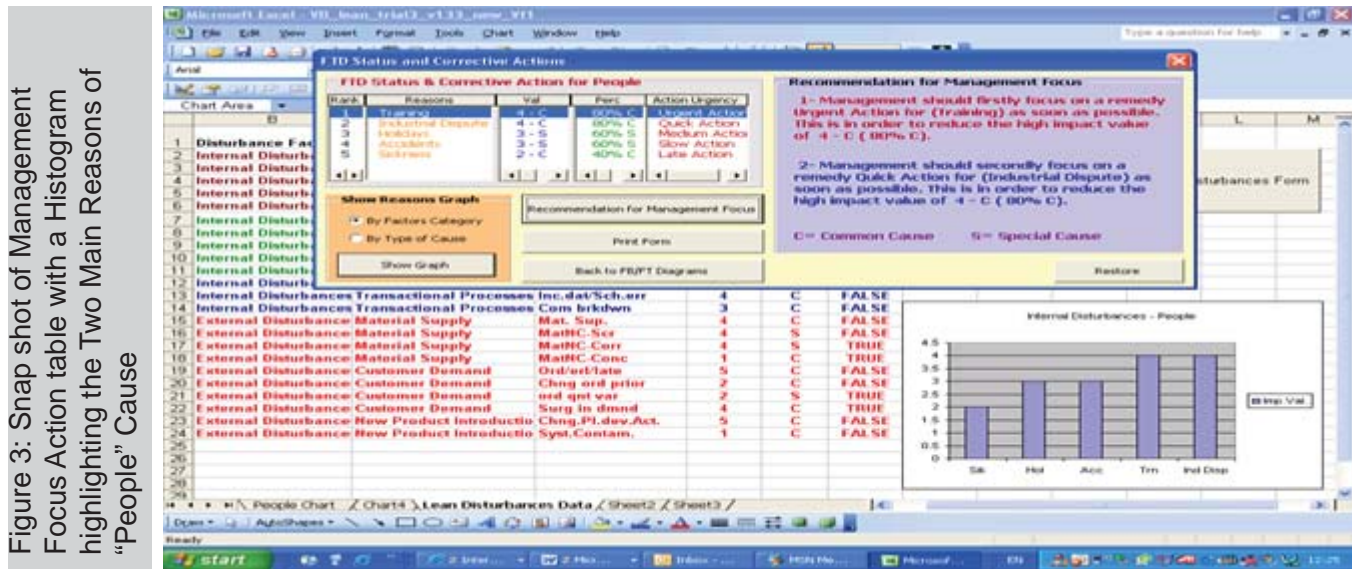


Figure 2: Snap shot of the “People” Cause Fault Tree Diagram showing its Impact Value Calculation

## A Lean Disturbances Assessment Tool cont..

importantly, it also gives management a positive insight of the business processes. In addition, it highlights to them any hidden reasons that can lead indirectly or directly to the escalation of different problems and the emerging of disturbances that can hinder the flow of work and affect the long-term success of their organisation. Periodic check and review is recommended at regular intervals in order to detect newly emerging or recurring causes, thus continuously improving the performance level of the organisational manufacturing systems.



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2. Journal of accounting and organisational change, special issue on routine and change:the role of management accounting and control systems:  
[www.emeraldinsight.com/products/journals/call\\_for\\_papers.htm?id=3000](http://www.emeraldinsight.com/products/journals/call_for_papers.htm?id=3000)
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6. Call for papers, the 6th EARNet Symposium, Norwegian school of economics and business administration, [www.earnnet2011.no](http://www.earnnet2011.no)
7. Call for papers13th world congress of accounting historians, [www.ncl.ac.uk/nubs/about/events/worldcongress](http://www.ncl.ac.uk/nubs/about/events/worldcongress)
8. Launch of new journal , Sustainability accounting ,management and policy journal, [www.emeraldinsight.com/sampj.htm](http://www.emeraldinsight.com/sampj.htm)
9. International Conference on Accounting and Finance in Africa - University of Ghana, 25th – 27th July, 2011, [aafconference@ug.edu.gh](mailto:aafconference@ug.edu.gh)

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- 5th International Conference on Business Market Management, Tampere, Finland, May 18–20
- 5th International Conference on Services Management, New Delhi, India, May 19-21
- Cracking the Productivity Nut, Vienna, Austria, May 23–25
- TMForum – Management World Conference, Dublin, Dublin, Ireland, May 23–26
- International Conference on Computational Statistics and Data Analysis, Tokyo, Japan, May 25–27
- International Conference of Corporate Strategies and Governance, Canberra, Australia, May 30–31

## June 2011

- The 2nd International Conference on Business and Economics, Lhasa, Tibet, China, June 2–4
- Management, Finance and Accounting Research Conference, Honolulu, Hawaii, US, June 2-5
- Third Annual American Business Research Conference, New York, New York, US, June 6-7
- Business Process Management Conference Europe 2011, London, UK, June 8-10
- International Conference on Contemporary Issues in Business Management, (ICIBM-2011), Lahore, Punjab, Pakistan, June 13–14
- Economies of Central and Eastern Europe: Convergence, Opportunities and Challenges, Tallinn, Estonia, June 12–14
- 6th IFKAD, Knowledge-Based Foundations of the Service Economy, 15-17 June, Tampere, Finland
- Operational Efficiency in Financial Services 2011, London, UK, June 23
- Performance and Dependability Symposium, Hong Kong, June 27-30
- Seventh International Strategic Management Conference, Paris, France, June 30 – July 2

## July 2011

- Finance and Economics Conference 2011, Frankfurt am Main, Germany, July 5–6
- 6th Annual London Business Research Conference, London, UK, July 11–12
- Fourth Annual International Business Conference, Detroit Metropolitan, Michigan, US, July 14
- International conference on Managing Excellence for Emerging Global Paradigm in business & technology, Indore, Madhya pradesh, India, July 15–16
- 2011 International Conference on Information and Knowledge Management (ICKM 2011), Haikou, China, July 15–17
- The 2011 International Conference of Organizational Innovation, Kuala Lumpur, Malaysia, July 27–29

## August 2011

- Strategies, Governance and Social research Conference, Doha, Qatar, August 8–9
- Global Academy of Business and Economic Research Conference, Beijing, China, August 10
- The Global Business, Finance and Economics Research Conference, Istanbul, Turkey, August 11–14
- International Conference on Economics, and Management of Business, Innovation and Technology, London, UK, August 15–17
- 2011 3rd International Conference on Information and Financial Engineering, Shanghai, China, August 19–21
- Africa International Business and Management (AIBUMA) Conference, Nairobi, KICC, Nairobi, August 24–26
- Fourth International Conference Financial and actuarial mathematics - FAM, Sofia, Bulgaria, August 26–27
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